

October 27, 2010

Honorable James M. Peck  
One Bowling Green  
Courtroom 601  
New York, NY 10004

**RE: United States Bankruptcy Court Southern District of New York  
In re Lehman Brothers Holdings Inc., et al., Debtors  
Chapter 11 Case No. 08-13555 (JMP) (Jointly Administered)**

**Notice of Hearing on Debtors' Fifty-Eighth Omnibus Objection to  
Claims (No Supporting Documentation Claims)**

**Lehmann Brothers Holdings Claim Number 12271  
for Clifford Kraus and Susanne K. Kraus**

Honorable James M. Peck,

In response to the recent "Notice of Hearing on Debtors' Fifty-Eighth Omnibus Objection to Claims (No Supporting Documentation Claims)", we would like to submit the supporting documentation for the purchase of 850 shares of Lehman Capital Trust IV and 16,000 shares of Lehman Brothers Holdings on June 23, 2008 and request our claim to be allowed and the objection to be overturned.

Enclosed are the following supporting documents:

- Trade Confirmations for 06/23/2008 Purchase
- December 2008 Client Statement
- September 2009 Client Statement
- September 2010 Client Statement

Please direct any replies to my response as follows:

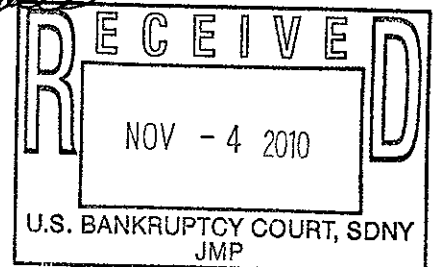
Clifford Kraus and Susanne K. Kraus  
P.O. Box 72  
Elephant Butte, NM 87935  
Home Phone 575-744-4294  
E-Mail sueandcliff@juno.com


Sincerely,

  
Clifford Kraus

  
Susanne K. Kraus

Encl



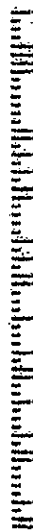
United States Bankruptcy Court/Southern District of New York Lehman Brothers Holdings Claims Processing Center c/o Epiq Bankruptcy Solutions, LLC FDR Station, P.O. Box 5076 New York, NY 10150-5076		PROOF OF CLAIM	
In Re: Lehman Brothers Holdings Inc., et al. Debtors.	Chapter 11 Case No. 08-13555 (JMP) (Jointly Administered)	Filed: USBC - Southern District of New York Lehman Brothers Holdings Inc., Et Al. 08-13555 (JMP) 0000012271	
Name of Debtor Against Which Claim is Held	Case No. of Debtor		
NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503. Additionally, this form should not be used to make a claim for Lehman Programs Securities (See definition on reverse side.)		THIS SPACE IS FOR COURT USE ONLY	
Name and address of Creditor: (and name and address where notices should be sent if different from Creditor) <b>CLIFFORD KRAUS &amp; SUSANNE K KRAUS</b> <b>P.O. Box 72</b> <b>ELEPHANT BUTTE, NM</b> <b>87935</b>		<input checked="" type="checkbox"/> Check this box to indicate that this claim amends a previously filed claim.  Court Claim Number: <b>12271</b> (If known)  Filed on: <b>9/14/2009</b>	
Telephone number: <b>502-926-8374</b> Email Address:		<input type="checkbox"/> Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.  <input type="checkbox"/> Check this box if you are the debtor or trustee in this case.	
Name and address where payment should be sent (if different from above)  Telephone number: Email Address:			
1. Amount of Claim as of Date Case Filed: \$ <b>14,300</b> If all or part of your claim is secured, complete Item 4 below; however, if all of your claim is unsecured, do not complete item 4. If all or part of your claim is entitled to priority, complete Item 5. If all or part of your claim qualifies as an Administrative Expense under 11 U.S.C. §503(b)(9), complete Item 6. <input type="checkbox"/> Check this box if all or part of your claim is based on a Derivative Contract.* <input type="checkbox"/> Check this box if all or part of your claim is based on a Guarantee.* <b>*IF YOUR CLAIM IS BASED ON AMOUNTS OWED PURSUANT TO EITHER A DERIVATIVE CONTRACT OR A GUARANTEE OF A DEBTOR, YOU MUST ALSO LOG ON TO <a href="http://www.lehman-claims.com">http://www.lehman-claims.com</a> AND FOLLOW THE DIRECTIONS TO COMPLETE THE APPLICABLE QUESTIONNAIRE AND UPLOAD SUPPORTING DOCUMENTATION OR YOUR CLAIM WILL BE DISALLOWED.</b> <input type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of interest or additional charges. Attach itemized statement of interest or charges to this form or on <a href="http://www.lehman-claims.com">http://www.lehman-claims.com</a> if claim is a based on a Derivative Contract or Guarantee.		5. Amount of Claim Entitled to Priority under 11 U.S.C. §507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount.  Specify the priority of the claim:  <input type="checkbox"/> Domestic support obligations under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B). <input type="checkbox"/> Wages, salaries or commissions (up to \$10,950), earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(4). <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(5). <input type="checkbox"/> Up to \$2,425 of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(7). <input type="checkbox"/> Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8). <input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. § 507(a)(____).  Amount entitled to priority:  \$ _____	
2. Basis for Claim: <b>Loaned Money</b> (See instruction #2 on reverse side.)			
3. Last four digits of any number by which creditor identifies debtor: _____ 3a. Debtor may have scheduled account as: _____ (See instruction #3a on reverse side.)			
4. Secured Claim (See instruction #4 on reverse side.) Check the appropriate box if your claim is secured by a lien on property or a right of setoff and provide the requested information. Nature of property or right of setoff: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other Describe: _____ Value of Property: \$ _____ Annual Interest Rate _____ % Amount of arrearage and other charges as of time case filed included in secured claim, if any: \$ _____ Basis for perfection: _____ Amount of Secured Claim: \$ _____ Amount Unsecured: \$ _____			
6. Amount of Claim that qualifies as an Administrative Expense under 11 U.S.C. §503(b)(9): \$ _____ (See instruction #6 on reverse side.)			
7. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim. 8. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages and security agreements. Attach redacted copies of documents providing evidence of perfection of a security interest. (See definition of "redacted" on reverse side.) If the documents are voluminous, attach a summary. <b>DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.</b> If the documents are not available, please explain:		<div style="border: 1px solid black; padding: 5px; text-align: center;"><b>FOR COURT USE ONLY</b> <b>FILED / RECEIVED</b>  <b>SEP 14 2009</b>  <b>EPIQ BANKRUPTCY SOLUTIONS, LLC</b></div>	
Date:	Signature: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any.  <b>Clifford K. Kraus Susanne K. Kraus</b>		
Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.			

294 East Grove Lane  
Suite 220  
Wayzata, MN 55391

MorganStanley  
SmithBarney

LEHMAN BROTHERS HOLDINGS CLASSIC ACCESSORIES  
c/o EPIG FINANCIAL SOLUTIONS, LLC  
FOR STATION, P.O. Box 5576  
NEW YORK, NEW YORK  
10150-5576

1015055076 BC26



BY: \_\_\_\_\_



**Morgan Stanley**

*This transaction is confirmed in accordance  
with the explanations and conditions  
stated on the reverse side.*

Exchange Code: 8  
Execution Code: E  
Your Account Number: 319-058773-0-301

Cash Account - Active Assets

CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN  
PO BOX 72  
ELEPHANT BUTTE, NM 87935-0072

Your Financial Advisor  
MARK L. JOHNSON  
294 EAST GROVE LANE, SUITE 220  
WAYZATA, MN 55391  
(952) 475-4100

**You Bought**  
Trade Date 06/23/08 for Settlement on 06/26/08

Quantity	16,000	Price	98.375	Settlement Amount
<b>Description:</b> LEHMAN BROTHERS HOLDINGS MATURES 07/26/2010 COUPON 4.50% FIXED COUPON PAYABLE SEMI-ANNUALLY ON JANUARY AND JULY 26th ISSUE DATE 07/13/2005 FIRST COUPON DATE 01/26/2006  YIELD TO MATURITY 5.332% THE CREDIT RATINGS PRINTED BELOW REFLECT THE RATINGS AT THE CLOSE-OF-BUSINESS ON 06/23/08 AND ARE SUBJECT TO CHANGE. S&P RATING: A MOODY'S RATING: A1				Principal \$15,740.00 Processing Fee 5.25 Interest 300.00  Net Amount \$16,045.25
Investment and services are offered through Morgan Stanley & Co. Incorporated, member SIPC				Security No. 52517PA35

CODES, ABBREVIATIONS AND EXPLANATIONS		CONDITIONS
<p><b>EXCHANGE WHERE EXECUTED</b></p> <p>1 New York Stock Exchange 2 Pacific Stock Exchange 3 Philadelphia Stock Exchange 4 Chicago Stock Exchange 5 American Stock Exchange 6 Other Markets 7 Over the Counter 8 Morgan Stanley as principal which may result in a profit to Morgan Stanley.</p> <p><b>EXECUTION CODE</b></p> <p>1, 2, 3, 4, 5, 9, F, L, P, T, V OR W: As agent we have bought or sold for your account 6: As agent for another we have sold to you or bought from you 7, C, E, G, N, OR S: As principal we sold to you or bought from you for our own account 8 OR U: Prospectus/Official Statement A, B, C, X, Y, OR Z: Primary and Secondary Unit Trust or listed and OTC when issued Securities K: Precious Metals M, R: Mutual Funds</p> <p><b>COMBINED EXCHANGE AND EXECUTION CODES FOR OPTIONS ONLY:</b></p> <p><b>ALL TRADES DONE AS AGENT</b></p> <p>17 International Securities Exchange 27, 2Z Pacific Stock Exchange 37, 3Z Philadelphia Stock Exchange 46, 4Y NASDAQ Stock Exchange 47, 4Z Chicago Board Options Exchange 57, 5Z American Stock Exchange 67, 6Z Boston Stock Exchange 7W, 7Y, 7Z Exercise and Assignment</p> <p><b>OTHER ABBREVIATIONS</b></p> <p>ELTR Estimated Long Term Return CR Current Return PV Par Value</p> <p><b>FINAL PROSPECTUS AVAILABLE</b></p> <p>Indicates that these securities are being sold pursuant to an SEC registration statement or where a prospectus is otherwise required. For assistance obtaining a copy of the final prospectus relating to these securities, you may contact us at 800-584-6837.</p>		<p><b>IT IS AGREED THAT</b></p> <p>All transactions are subject to the rules, regulations, requirements and customs of the exchange or market (and its clearing agency, if any) where executed, the regulations of the Federal Reserve Board and the Securities and Exchange Commission.</p> <p>Payment for securities purchased must be received by us no later than the Settlement Date indicated on the reverse side hereof. Payments not received by Settlement Date may be subject to late payment fees.</p> <p>Securities held in margin accounts or purchased but not yet paid for in cash accounts may be hypothecated by Morgan Stanley under circumstances which will permit the commingling thereof with securities of other clients.</p> <p>Securities sold "long" must be on deposit in your account or delivered to us by Settlement Date.</p> <p>Morgan Stanley will furnish, upon written request, the date and time when the transaction took place, the name of the other party to the transaction and the source and amount of any other remuneration received or to be received by us in connection with the transaction.</p> <p>Morgan Stanley accepts benefits that constitute payment for order flow. Details regarding these benefits will be furnished upon written request.</p> <p>When Morgan Stanley is acting as principal in a reported security, the price shown is the reported trade price made in accordance with the last sale reporting requirements.</p> <p>Debt securities may be redeemed in whole or in part before maturity, and such a redemption could affect any yield represented in this trade confirmation. Additional information is available upon request.</p> <p>Credit rating(s), if any, contained on this trade confirmation were provided by an unaffiliated third party. In some instances, the credit rating shown is based on the issuer's credit ranking and not the credit rating of the specific security purchased or sold. For an explanation of credit ratings for bonds, please see <a href="http://www.morganstanleyindividual.com/markets/bondcenter/school/credit/default.asp">http://www.morganstanleyindividual.com/markets/bondcenter/school/credit/default.asp</a>, or request a copy from your Financial Advisor.</p> <p>Insurance trades are subject to carrier underwriting approval.</p> <p>Any inquiries regarding this transaction should be made by using the telephone number provided on the reverse side.</p> <p>This transaction is conclusive and binding if not objected to in writing within five days of receiving this trade confirmation.</p> <p>All Good Till Cancelled (GTC) orders will expire 90 calendar days from the day they reach the market place. Until expiration, all open orders are considered good until cancelled by you or executed by us. When entering a substitute order or changing an existing order, the responsibility for canceling the original order rests upon the customer. Therefore, if a customer fails to cancel an existing order, transactions resulting from the execution of both the original and new order(s) will be entered in the customer's account.</p> <p>This agreement shall inure to the benefit of any successor or assignee of Morgan Stanley &amp; Co. Incorporated.</p> <p><b>Morgan Stanley</b></p>
<p><b>CHARGES AND FEES</b></p> <p><b>CHARGE</b> Represents the markup/down from the wholesaler's or dealer's price. <b>TRANS FEE</b> Represents a pass through of exchange floor, brokerage and clearing expenses incurred by Morgan Stanley for this transaction. <b>FSCF</b> Represents a pass through of Foreign Securities clearance fees incurred by Morgan Stanley for this transaction. <b>SUPPLEMENTAL TRANSACTION FEE</b> Represents fee to offset additional expenses associated with processing certain transactions. <b>PROCESSING FEE</b> Represents processing charges for certain executed orders. <b>CDSC</b> Represents Contingent Deferred Sales Charge. <b>DSC</b> Represents Deferred Sales Charge. <b>ER FEE</b> Represents Early Redemption Fee. <b>MF TRANS FEE</b> Represents Mutual Fund Transaction Fee, if applicable, as charged by Morgan Stanley.</p>		
<p><b>BACKUP WITHHOLDING</b></p> <p>Under Federal Income Tax Law, the customer is required to provide Morgan Stanley with a certification of the customer's Social Security or Taxpayer Identification Number. In the absence of such certification, Morgan Stanley is required to withhold taxes from the proceeds of sales at the current withholding rate.</p>		
<p><b>GROSS PROCEEDS</b></p> <p>If the transaction being confirmed is a sale or a redemption, this information will be furnished to the Internal Revenue Service.</p>		

**Morgan Stanley**

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with the explanations and conditions  
stated on the reverse side.*

Your Account Number: 319-058773-0-301

Cash Account - Active Assets

CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN  
PO BOX 72  
ELEPHANT BUTTE, NM 87935-0072

Your Financial Advisor  
MARK L. JOHNSON  
294 EAST GROVE LANE, SUITE 220  
WAYZATA, MN 55391  
(952) 475-4100

**You Bought**  
Trade Date 06/23/08 for Settlement on 06/26/08

Quantity	850	Price	17.149	Settlement Amount
<b>Description:</b> LEHMAN CAPITAL TRUST IV MATURES 10/31/2052 COUPON 6.375% FIXED COUPON PAYABLE QUARTERLY ON FEB, MAY, AUG, NOV 2nd ISSUE DATE 10/31/2003 FIRST COUPON DATE 02/02/2004  YIELD TO MATURITY 9.506% NEXT CALL DATE: 10-31-08 NEXT CALL PRICE: 25.000 CALLABLE AT ANY TIME FROM 10-31-08 TO 10-31-52. MORGAN STANLEY ACTED AS PRINCIPAL. EXECUTED OVER THE COUNTER. A PORTION OF THE PRINCIPAL AMOUNT SHOWN REPRESENTS ACCRUED INTEREST. THIS INFORMATION IS PROVIDED TO ASSIST YOU IN TAX PREPARATION. ACCRUED INTEREST MAY BE USED TO ADJUST YOUR COST BASIS. PLEASE CONSULT YOUR TAX ADVISOR. THIS DEBT SECURITY MAY BE REDEEMED/ACCELERATED IN WHOLE OR PART BEFORE MATURITY. THIS REDEMPTION/ACCELERATION COULD AFFECT THE YIELD REPRESENTED. ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST. ADDITIONAL CALL FEATURES EXIST				Principal \$14,576.65 Processing Fee 5.25  Net Amount <u>\$14,581.90</u>
Investment and services are offered through Morgan Stanley & Co. Incorporated, member SIPC				Security No. 52520B206 Symbol LEH.L

CODES, ABBREVIATIONS AND EXPLANATIONS		CONDITIONS
<p><b>EXCHANGE WHERE EXECUTED</b></p> <p>1 New York Stock Exchange 2 Pacific Stock Exchange 3 Philadelphia Stock Exchange 4 Chicago Stock Exchange 5 American Stock Exchange 6 Other Markets 7 Over the Counter 8 Morgan Stanley as principal which may result in a profit to Morgan Stanley.</p> <p><b>EXECUTION CODE</b></p> <p>1, 2, 3, 4, 5, 9, F, L, P, T, V OR W: As agent we have bought or sold for your account 6: As agent for another we have sold to you or bought from you 7, C, E, G, N, OR S: As principal we sold to you or bought from you for our own account 8 OR U: Prospectus/Official Statement A, B, C, X, Y, OR Z: Primary and Secondary Unit Trust or listed and OTC when issued Securities K: Precious Metals M, R: Mutual Funds</p> <p><b>COMBINED EXCHANGE AND EXECUTION CODES FOR OPTIONS ONLY:</b></p> <p><b>ALL TRADES DONE AS AGENT</b></p> <p>17 International Securities Exchange 27, 2Z Pacific Stock Exchange 37, 3Z Philadelphia Stock Exchange 46, 4Y NASDAQ Stock Exchange 47, 4Z Chicago Board Options Exchange 57, 5Z American Stock Exchange 67, 6Z Boston Stock Exchange 7W, 7Y, 7Z Exercise and Assignment</p> <p><b>OTHER ABBREVIATIONS</b></p> <p>ELTR Estimated Long Term Return CR Current Return PV Par Value</p> <p><b>FINAL PROSPECTUS AVAILABLE</b></p> <p>Indicates that these securities are being sold pursuant to an SEC registration statement or where a prospectus is otherwise required. For assistance obtaining a copy of the final prospectus relating to these securities, you may contact us at 800-584-6837.</p>		<p><b>IT IS AGREED THAT</b></p> <p>All transactions are subject to the rules, regulations, requirements and customs of the exchange or market (and its clearing agency, if any) where executed, the regulations of the Federal Reserve Board and the Securities and Exchange Commission.</p> <p>Payment for securities purchased must be received by us no later than the Settlement Date indicated on the reverse side hereof. Payments not received by Settlement Date may be subject to late payment fees.</p> <p>Securities held in margin accounts or purchased but not yet paid for in cash accounts may be hypothecated by Morgan Stanley under circumstances which will permit the commingling thereof with securities of other clients.</p> <p>Securities sold "long" must be on deposit in your account or delivered to us by Settlement Date.</p> <p>Morgan Stanley will furnish, upon written request, the date and time when the transaction took place, the name of the other party to the transaction and the source and amount of any other remuneration received or to be received by us in connection with the transaction.</p> <p>Morgan Stanley accepts benefits that constitute payment for order flow. Details regarding these benefits will be furnished upon written request.</p> <p>When Morgan Stanley is acting as principal in a reported security, the price shown is the reported trade price made in accordance with the last sale reporting requirements.</p> <p>Debt securities may be redeemed in whole or in part before maturity, and such a redemption could affect any yield represented in this trade confirmation. Additional information is available upon request.</p> <p>Credit rating(s), if any, contained on this trade confirmation were provided by an unaffiliated third party. In some instances, the credit rating shown is based on the issuer's credit ranking and not the credit rating of the specific security purchased or sold. For an explanation of credit ratings for bonds, please see <a href="http://www.morganstanleyindividual.com/markets/bondcenter/school/credit/default.asp">http://www.morganstanleyindividual.com/markets/bondcenter/school/credit/default.asp</a>, or request a copy from your Financial Advisor.</p> <p>Insurance trades are subject to carrier underwriting approval.</p> <p>Any inquiries regarding this transaction should be made by using the telephone number provided on the reverse side.</p> <p>This transaction is conclusive and binding if not objected to in writing within five days of receiving this trade confirmation.</p> <p>All Good Till Cancelled (GTC) orders will expire 90 calendar days from the day they reach the market place. Until expiration, all open orders are considered good until cancelled by you or executed by us. When entering a substitute order or changing an existing order, the responsibility for canceling the original order rests upon the customer. Therefore, if a customer fails to cancel an existing order, transactions resulting from the execution of both the original and new order(s) will be entered in the customer's account.</p> <p>This agreement shall inure to the benefit of any successor or assignee of Morgan Stanley &amp; Co. Incorporated.</p> <p><b>Morgan Stanley</b></p>
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<p><b>GROSS PROCEEDS</b></p> <p>If the transaction being confirmed is a sale or a redemption, this information will be furnished to the Internal Revenue Service.</p>		

Your Financial Advisor  
 MARK L. JOHNSON  
 SENIOR VICE PRESIDENT  
 MORGAN STANLEY  
 294 EAST GROVE LANE, SUITE 220  
 WAYZATA, MN 55391  
 (952) 475-4100

## ACTIVE ASSETS ACCOUNT® FOR MONTH ENDING DECEMBER 31, 2008

PAGE 1 OF 18

87935  
 (879350072720)  
 CLIFFORD KRAUS &  
 SUSANNE K KRAUS JT TEN  
 PO BOX 72  
 ELEPHANT BUTTE NM 87935-0072

Account Number  
 319 058773 301

AAA Customer Service  
 1-800-869-3326  
 Householding Anniv. Date:  
 10/25/2002

Access Your Account at:  
 www.morganstanley.com/online

Asset Summary		
	Value	% of Assets
Bank Deposits* and MMF	\$10,494.61	3.3%
Stocks	27,416.40	8.8
Municipal Bonds	100,000.00	31.8
Corporate Fixed Income	1,525.10	0.5
Government Securities	0.00	0.0
Mutual Funds	97,103.64	30.9
Unit Investment Trusts	0.00	0.0
Certificates of Deposit	62,688.20	19.9
Annuities/Insurance	15,151.54	4.8
Other	0.00	0.0
Asset Value	\$314,379.49	100.0%
Cash	0.00	
<b>Total Asset Value</b>	<b>\$314,379.49</b>	

Income Summary		
	This Month	Year-To-Date
Bank Deposits* and MMF	\$7.98	\$209.48
Stocks	316.20	1,209.00
Municipal Bonds	292.45	4,314.57
Corporate Fixed Income	0.00	808.67
Government Securities	0.00	0.00
Mutual Funds	557.94	5,964.63
Unit Investment Trusts	0.00	1,084.10
Certificates of Deposit	0.00	0.00
Other	0.00	0.00
<b>Total Income</b>	<b>\$1,174.57</b>	<b>\$13,590.45</b>
Taxable Income	\$324.18	\$3,593.02
Tax Exempt Income	\$850.39	\$9,997.43

\*Eligible for FDIC insurance; FDIC rules apply. Not SIPC insured.

Investments and services are offered through Morgan Stanley & Co. Incorporated, member SIPC.

Activity Summary		
<b>Total Asset Value November 30 2008</b>		<b>\$320,440.49</b>
Bank Deposits*/Cash/Money Market Funds Activity for December		
Closing Balance 11/30	\$9,877.98	
<b>Credits To Your Account</b>		
Dividends and Interest	1,174.57	
Deposits	0.00	
Sales Proceeds/Redemptions	0.00	
Other Credits	0.00	
<b>Total Credits</b>	<b>1,174.57</b>	
<b>Debits To Your Account</b>		
Checking	0.00	
World Card	0.00	
Withdrawals	0.00	
Funds to Purchase Securities	-557.94	
Other Debits	0.00	
<b>Total Debits</b>	<b>-557.94</b>	
Closing Balance 12/31	10,494.61	

<b>Net Change Bank Deposits*/Cash/Money Market Funds Activity</b>	<b>616.63</b>
Changes in Asset Value for December	
Value of Priced Assets 11/30	\$310,562.51
Securities Bought	557.94
Securities Received	0.00
Securities Sold/Redeemed	0.00
Securities Delivered	0.00
Transactions at Fund Company	0.00
Change in Value of Priced Assets	-7,235.57
Value of Priced Assets 12/31	303,884.88
<b>Net Change in Asset Value</b>	<b>-6,677.63</b>
<b>Total Asset Value as of December 31 2008</b>	<b>\$314,379.49</b>



**ACTIVE ASSETS ACCOUNT ®**  
**FOR MONTH ENDING DECEMBER 31, 2008**

PAGE 2 OF 18

CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TENAccount Number  
319 058773 301**ASSET DETAILS****Cash/Money Market Funds/Bank Deposits**

	Amount	Pct of Assets	Est Yrly Income	APY	7-Day Current Yield
CASH	.00	---	---	---	---
BANK DEPOSITS #					
MORGAN STANLEY BANK	10,494.61	3.3%	52	0.50%	---
<b>Total Bank Deposits</b>	10,494.61	3.3%	52	---	---
<b>Total Cash and Money Market Funds</b>	\$10,494.61	3.3%	\$52	---	---
Net Change Since Last Statement	\$616.63				

# Bank deposits are at Morgan Stanley Bank and Morgan Stanley Trust bank (Members FDIC), affiliates of Morgan Stanley & Co. Incorporated. Bank deposits are eligible for FDIC insurance up to applicable limits. Not SIPC insured.

**Stocks****Common Stocks**

930	* WELLS FARGO & CO NEW	29.48	27,416.40	8.8%	1,264	4.61%	WFC	Next Dividend Payable 03/09
<b>Total Stocks</b>			\$27,416.40	8.8%	\$1,264	4.61%		
Net Change Since Last Statement			\$548.70					

**Municipal Bonds\*\***

50,000	* DESOTO PARISH LA POLLUTN CTL REV REF SW ELEC PWR W/35 ARNS 2.034% JAN/JUL 22 DUE 01/01/19 CALLABLE \$100.00 ON 01/31/09	100.000	50,000.00	15.9%	1,017	2.03%		36.72	YIELD TO CALL 2.0170% MOODY BAA1 S&P A ISSUE 12/18/08 COUPON 01/22/09 CUSIP 241627AU2 FLOATER FED TAX EXEMPT INSURER:AMBAC
50,000	* ROYAL OAK MI HOSP FIN AU REF-W ILLIAM BEAUMONT HSP-Q ARNS M/7 0.674% WEEKLY DUE 11/15/19 CALLABLE \$100.00 ON 02/03/09	100.000	50,000.00	15.9%	337	.67%		0.00	YIELD TO CALL .6720% MOODY A1 S&P AA ISSUE 12/30/08 COUPON 01/06/09 CUSIP 780486EU6 FLOATER FED TAX EXEMPT INSURER:MBIA

\*\*The "Current Price" and "Value" figures shown for Fixed Income securities are representative values, which may not reflect the value that could actually be obtained in the market. See "Pricing of Securities" at the end of this statement.

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CLIFFORD KRAUS &  
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**Municipal Bonds\*\***

**Total Municipal Bonds**

Net Change Since Last Statement

Current Price	Value	Pct of Assets	Est Yrly Income	Current Yield	Accruing Interest	Additional Information
	\$100,000.00	31.8%	\$1,354	1.35%	\$36.72	
	\$ .00					

**Corporate Fixed Income\*\***

**Corporate Bonds**

16,000 LEHMAN BROTHERS HOLDINGS  
4.500% JAN/JUL 26 DUE 07/26/10  
IN DEFAULT

Current Price	Value	Pct of Assets	Est Yrly Income	Current Yield	Accruing Interest	Additional Information
9.500	1,520.00	0.5%	0	0.00%	0.00	ISSUE 07/13/05 CUSIP 52517PA35

**Fixed-Rate Capital Securities**

850 LEHMAN CAPITAL TRUST IV  
6.375% QTRLY FEB DUE 10/31/52  
CALLABLE \$25.00 ON 01/31/09

.00	5.10	N/A	0	0.00%	0.00	MOODY C CUSIP 52520B206
-----	------	-----	---	-------	------	----------------------------

**Total Corporate Fixed Income**

Net Change Since Last Statement

	\$1,525.10	0.5%	0	0.00%	0.00	
	-83.40					

**Mutual Funds**

**Other Mutual Funds**

12,981.770 VAN KAMPEN HIGH YIELD MUNI C

Current Price	Value	Pct of Assets	Est Yrly Income	Distribution Rate	Fund Plan Number	Symbol	Dividend/ Cap Gains Option
7.4800	97,103.64	30.9%	6,912	7.11%		ACTFX	Reinv/Reinv
	\$97,103.64	30.9%	\$6,912	7.11%			
	-8,010.03						

**Total Mutual Funds**

Net Change Since Last Statement

\*\*The "Current Price" and "Value" figures shown for Fixed Income securities are representative values, which may not reflect the value that could actually be obtained in the market. See "Pricing of Securities" at the end of this statement.

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CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TENAccount Number  
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## Certificates of Deposit\*\*

	Market Price	Market Value	Pct of Assets	Est Yrly Income	Current Yield	Accruing Interest	Additional Information
31,000	100.814	31,252.34	9.9%	1,178	3.76%	593.84	YIELD TO MATURITY 2.1530% ISSUE 06/30/08 CUSIP 939371MC1 MATURITY VALUE \$31,000.00
31,000	101.406	31,435.86	10.0%	1,240	3.94%	613.26	YIELD TO MATURITY 2.5800% ISSUE 07/02/08 CUSIP 14042ETX8 MATURITY VALUE \$31,000.00
		\$62,688.20	19.9%	\$2,418	3.85%	\$1,207.10	
		\$501.89					

## Total Certificates of Deposit

Net Change Since Last Statement

## Annuities/Insurance

	Invested Premium	Value	Pct of Assets	Fixed Rate	Inception Date	Renewal Date	Additional Information
AXA EQUITABLE - ELITE 07	29,957	15,151.54	4.8%		09/18/07		Policy # 307736840 Carrier: EQUITABLE LIFE As Of 12/29/08
EQ/ALLIBERN INTERNATIONAL		4,017.45		N/A			
EQ/ALLIBERN SMALL CAP GRO		1,416.22		N/A			
EQ/MARSICO FOCUS		3,268.35		N/A			
EQ/LORD ABBETT GRWTH IN		4,917.53		N/A			
EQ/LORD ABBETT MID CAP VA		1,531.99		N/A			
		\$15,151.54	4.8%				
		\$365.21					

## Total Annuities/Insurance

Net Change Since Last Statement

Insurance and annuity products and values are displayed for informational purposes only. Values reflect in force insurance purchased through Morgan Stanley & Co. Incorporated as of date shown as reported by the insurance carrier. Amounts shown may be subject to surrender and other contract charges. Invested premium is defined as either the original purchase price plus additions minus withdrawals or principal withdrawals.

Display of insurance or annuity products on the Morgan Stanley account statement does not confer or imply ownership or beneficial interest on the part of the Morgan Stanley account holder. All ownership, rights, benefits and payments are controlled by the contract between the insurance company and the contract owner as shown on your policy copy.

Annuitized information as provided by the insurance carrier reflects the value of the last payment made as per your instructions and does not imply that the funds were re-deposited into a Morgan Stanley & Co. Incorporated account and are provided for informational purposes only. Surrendered or annuitized policies will not appear as assets on this statement.

\*\*The "Current Price" and "Value" figures shown for Fixed Income securities are representative values, which may not reflect the value that could actually be obtained in the market. See "Pricing of Securities" at the end of this statement.

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CLIFFORD KRAUS &  
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Asset Summary	Value	Est Yrly Income
<b>Total Asset Value</b>	\$314,379.49	\$12,000
Total Net Change In Priced Assets Since Last Statement	-6,677.63	

**If you hold Auction Rate Securities, please see the Message Center for important information regarding the pricing of these securities.**

## Authorized Limit

Your Authorized Limit equals:  
10,494.61 Bank Deposits and MMF balance  
.00+ cash balance  
74,191.39+ loan amount available to you  
based on a percent of the  
assets in your margin account##  
(identified by asterisk)  
.00 - debit balance.  
\$84,686.00 Authorized Limit

## Please see the last page of your statement for more information regarding margin loans.

## CREDITS TO YOUR ACCOUNT

### Dividends and Interest

Date	Activity	Description	Amount	Income Category
12-01	Dividend	WELLS FARGO & CO NEW	316.20	Stocks
12-30	Taxable Interest	MORGAN STANLEY BANK (Period 11/27-12/30)	7.98	MMF and Bank Deposits
		Sub Total Taxable Income	324.18	

### Taxable Income

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**Dividends and Interest**

<i>Date</i>	<i>Activity</i>	<i>Description</i>	<i>Amount</i>	<i>Income Category</i>
-------------	-----------------	--------------------	---------------	------------------------

**Tax Exempt Income**

11-28	Tax Exempt Dividend	VAN KAMPEN HIGH YIELD MUNI C	557.94	Mutual Funds
12-02	Tax Exempt Interest	DIV PAYMENT		
12-09	Tax Exempt Interest	ROYAL OAK M/7 BE 1809 *19NV15	15.86	Municipal Bonds
12-16	Tax Exempt Interest	ROYAL OAK M/7 BE 1107 *19NV15	17.59	Municipal Bonds
12-18	Tax Exempt Interest	ROYAL OAK M/7 BE 0480 *19NV15	10.76	Municipal Bonds
12-23	Tax Exempt Interest	DESOTO POLJUTN BE 2034 *19JA01	239.70	Municipal Bonds
12-30	Tax Exempt Interest	ROYAL OAK M/7 BE 0398 *19NV15	4.67	Municipal Bonds
		ROYAL OAK M/7 BE 0674 *19NV15	3.87	Municipal Bonds
		Sub Total Tax Exempt Income	850.39	
		Total Dividends and Interest	1,174.57	

See Income Summary on page 1 for the month-to-date and year-to-date amounts per income category.

**Total Credits To Your Account**

\$1,174.57 Year-To-Date \$234,957.81

**DEBITS TO YOUR ACCOUNT****Funds to Purchase Securities**

<i>Trade Date</i>	<i>Settle Date</i>	<i>Activity</i>	<i>Quantity</i>	<i>Description</i>	<i>Price</i>	<i>Amount</i>	<i>Additional Information</i>
11-28	11-28	Bought	68.543	VAN KAMPEN HIGH YIELD MUNI C	8.1400	557.94	REINVESTMENT
				Total Funds to Purchase Securities		-557.94	Year-To-Date -224,447.64
		<b>Total Debits To Your Account</b>				-557.94	Year-To-Date -230,211.16

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**World Card Rewards Program**

As of Date 12/20/08  
MORGAN STANLEY REWARDS SUMMARY

	Points
Beginning Balance	0
World Card Spend	0
Morgan Stanley Activity	0
Bonus Points	0
Other Adjustments	0
Total Points Earned	0
Total Points Redeemed	0
Ending Balance	0

To access real time point information and discover new ways to redeem your points, visit [www.morganstanleyrewards.com](http://www.morganstanleyrewards.com) or call 800-688-3462.

**ADDITIONAL ACCOUNT INFORMATION**

**Bank Deposits and MMF**

Closing Balances		Description	Amount	Additional Information
11-30		BANK DEPOSITS	\$9,877.98	
11-30		TOTAL Closing Balance	\$9,877.98	
Transactions		Description	Amount	Additional Information
12-02	Automatic Deposit	BANK DEPOSIT PROGRAM	316.20	
12-03	Automatic Deposit	BANK DEPOSIT PROGRAM	15.86	
12-10	Automatic Deposit	BANK DEPOSIT PROGRAM	17.59	
12-17	Automatic Deposit	BANK DEPOSIT PROGRAM	10.76	
12-19	Automatic Deposit	BANK DEPOSIT PROGRAM	239.70	
12-24	Automatic Deposit	BANK DEPOSIT PROGRAM	4.67	
12-30	Automatic Deposit	BANK DEPOSIT PROGRAM	7.98	
12-31	Automatic Deposit	BANK DEPOSIT PROGRAM	3.87	

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CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN

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**Bank Deposits and MMF**

<i>Closing Balances</i>	<i>Date</i>	<i>Description</i>	<i>Amount</i>	<i>Additional Information</i>
12-31		BANK DEPOSITS	\$10,494.61	
12-31		TOTAL Closing Balance	\$10,494.61	

**Tax Information**

	<i>This Month</i>	<i>Year-to-Date</i>	<i>This Month</i>	<i>Year-to-Date</i>
L/T Capital Gains Distributions	.00	22.79	Reportable Gross Proceeds	.00
Accrued Interest Paid	.00	518.26	Municipal Accrued Interest Bought	.00
				220,690.59
				120.45

*The tax information provided above should be used only as a guide; a complete 1099 will be sent to you.*

Morgan Stanley

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CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN

Messages

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\*\*\*\*\*  
\*\*\*\*\*Important Notice\*\*\*\*\*  
\*\*\*\*\*Please Read\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*

The following message has been added to all client account statements but applies only to holders of Auction Rate Securities. Depending on your current holdings, this message may/may not be applicable to you.

Morgan Stanley recently mailed to eligible clients an offer to purchase certain Auction Rate Securities. If you did not receive the materials but believe you may be eligible to participate; or, if you received the materials and have questions, please contact the Morgan Stanley Auction Rate Securities Call Center (800) 566-2273 or visit our website for more information about eligible securities: <http://www.morganstanleyindividual.com/Markets/bondcenter/AuctionRateSecurities/>

Please note due to recent market conditions, certain Auction Rate Securities are experiencing no or limited liquidity. Therefore, the price(s) for any Auction Rate Securities shown on this statement may not reflect the price(s) you would receive upon a sale at auction or in a secondary market transaction. There can be no assurance that a successful auction will occur or that a secondary market exists or will develop for a particular security. The prices of any Auction Rate Securities on your statement are derived from various sources, and may differ from prices provided to Morgan Stanley by outside pricing services and/or from Morgan Stanley's own internal bookkeeping valuations. Please contact your Financial Advisor with any questions. To learn more about Auction Rate Securities, including information about the partial redemption allocations process, log on to ClientServ for more details. To enroll in ClientServ, go to [www.morganstanleyclientserv.com/welcome](http://www.morganstanleyclientserv.com/welcome).

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Questions regarding your account may be directed to either your Financial Advisor or the Branch Manager for the branch office where you maintain your account. If you require further assistance, your inquiries may also be directed to Client Service at (800) 869-3326 or you may contact the Legal and Compliance Division at (914) 225-5870 or Morgan Stanley & Co. Incorporated, Legal and Compliance Division, 2000 Westchester Avenue, Purchase, New York 10577 with any account-related concerns.

Consolidated Statement of Financial Condition (in thousands of dollars):

At November 30, 2008, Morgan Stanley & Co. Incorporated had net capital of \$8,283,858 which exceeded the Securities and Exchange Commission's minimum requirement by \$7,361,804 and included excess net capital of \$418,709 of MS Securities Services Inc., a broker-dealer and a guaranteed subsidiary of Morgan Stanley & Co. Incorporated. A copy of the Morgan Stanley & Co. Incorporated Consolidated Statement of Financial Condition at November 30, 2008 can be viewed online at: [www.morganstanley.com/about/ir/shareholder/morganstanley\\_co\\_inc.pdf](http://www.morganstanley.com/about/ir/shareholder/morganstanley_co_inc.pdf) or may be mailed to you at no cost by calling (866) 825-1675, after February 14, 2009.



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CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN

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319 058773 301

**Messages**

**Save up to 30% on TurboTax This Tax Season**

This year, we are pleased to offer you a simple way to do taxes through our relationship with TurboTax. And as a Morgan Stanley client, you can take advantage of 30% off the listed price of online federal versions or 20% off the listed price of the downloadable versions of TurboTax. Whether you need basic tax guidance or have a more complicated tax situation, TurboTax has the product to meet your individual needs. For more information, visit ClientServ.

TurboTax is not an agent of, nor affiliated with, Morgan Stanley. TurboTax and TurboTax Online are registered trademarks and/or service marks of Intuit Inc. in the United States and other countries. Morgan Stanley does not render advice on tax and tax accounting matters.

Morgan Stanley classifies the assets on your statement based on certain general characteristics, such as: income generation, underlying capital structure, or exposure to certain market sectors. Asset classification decisions are often influenced by marketplace conventions and are designed to be informative and provide clients with a particular, non-exclusive, view of their portfolio. As many assets contain characteristics of more than one asset class, the asset classification reflected on this statement may differ from others you may receive. These classifications are not intended to serve as a suitability analysis. Please contact your Financial Advisor for more information.

We understand that a primary concern of yours is the safety of your assets. Our goal at Morgan Stanley is not only to help you achieve your financial objectives, but also to make every effort to ensure that your assets are protected. Please review the brochure Protection for Your Assets, which is available via the link below. It provides an overview of the regulatory protections you enjoy as a client of Morgan Stanley, including safekeeping and segregation of client assets, as well as the protections afforded through the Securities Investor Protection Corporation (SIPC) and for Bank Deposits held through the Bank Deposit Program, protection provided by the Federal Deposit Insurance Corporation (FDIC). Morgan Stanley & Co Incorporated currently also maintains "excess SIPC" insurance coverage. The current coverage provided by the Customer Asset Protection Company (CAPCO) will remain in effect until February 16, 2009, but we have recently added "excess SIPC" coverage provided by Lloyd's of London that is effective immediately.

For more information, please visit:  
<http://www.morganstanleyindividual.com/customerservice/ProtectionForYourAssets.pdf>

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Your Financial Advisor  
MARK L. JOHNSON  
SENIOR VICE PRESIDENT  
MORGAN STANLEY  
294 EAST GROVE LANE, SUITE 220  
WAYZATA, MN 55391  
(952) 475-4100

Account Number  
319 058773 301  
  
AAA Customer Service  
1-800-869-3326  
Householding Anniv. Date:  
10/25/2002

Access Your Account at:  
[www.morganstanley.com/online](http://www.morganstanley.com/online)

(879350072720)  
CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN  
PO BOX 72  
ELEPHANT BUTTE NM 87935-0072

## GAIN AND LOSS SUMMARY

The Estimated Gain and Loss information is provided for informational purposes only and may not be relied upon in making any tax, accounting or regulatory filing or report. We recommend that you contact your tax advisor to determine the appropriate information to be used in the preparation of your tax return. This Estimated Gain and Loss Summary is not a substitute 1099 form (or any other appropriate tax form) and should not be filed with your taxes. The Total Cost, Unit Cost and Proceeds of eligible equity and options transactions with Choice SelectSM pricing do not include commissions paid on your purchases or sales and therefore may not equal the acquisition price or principal amount of the sale. The figures should be independently verified. Estimated Gain and Loss information does not take into account a taxpayer's particular circumstances such as the existence of hedging transactions, constructive sales or marked-to-market pricing adjustments on certain options held at year-end. Please note that although Morgan Stanley makes every effort to adjust the cost basis for such securities' capital changes, it does not adjust the cost basis for all events, including amortization of non-municipal bond premiums; exercise of unlisted stock options; securities deemed to have been sold and simultaneously repurchased; receipt of cash in lieu of fractional shares; or the net effect of wash sales and/or short sales against the box.

For securities not purchased through Morgan Stanley, for example, securities purchased elsewhere and later transferred to it, any data included in the Estimated Gain and Loss information has been provided either by you or another financial institution. Whether provided by you, another financial institution or Morgan Stanley, it is your responsibility to ensure the accuracy of all of the Estimated Gain and Loss information. Please contact your Financial Advisor with any questions or to correct any information.

For Managed Futures and alternative investments, there are likely to be restrictions on redemptions, please see applicable offering document.

With respect to estimated gains and losses for listed equity options, Morgan Stanley has taken into account option premiums paid or received and, in respect to multiple purchases and/or sales, calculated cost using an average unit price for all like positions. Morgan Stanley has made calculations using what appear to be off-setting positions; no assurance can be given that these positions are intended to off-set each other or that they are not intended to off-set other securities positions, in which case the analysis may be different. Morgan Stanley has obtained pricing information from independent sources it believes to be reliable. No assurance can be given that the values given are accurate. Values are subject to change and are as of a given point in time only. Past performance does not guarantee future returns.

This summary is not part of your account statement. It is for information purposes only and should not be used for tax preparation.

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CLIFFORD KRAUS &  
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Account Number  
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Unrealized Gain/(Loss)		Quantity	Date Acquired	Unit Cost Original / Adjusted*	Total Cost Original / Adjusted*	Market Value	Unrealized Gain/(Loss)	Additional Information
<b>Stocks</b>								
<b>Common Stocks</b>								
WELLS FARGO & CO NEW		930			please provide	27,416.40		
<b>Municipal Bonds**</b>								
DESOTO POLLUTN BE	2.034	1-01-19	50,000	100.01050 100.00000	50,005.25 50,000.00	50,000.00		
ROYAL OAK M/7 BE	.398	11-15-19	50,000	100.01050 100.00000	50,005.25 50,000.00	50,000.00		
<b>Total Municipal Bonds</b>					100,010.50 100,000.00	100,000.00		
<b>Corporate Fixed Income**</b>								
<b>Corporate Bonds</b>								
LEHMAN BROTHERS	4 1/2	7-26-10	16,000	98.40781 98.40781	15,745.25 15,745.25	1,520.00	(14,225.25)	Short Term
<b>Fixed-Rate Capital Securities</b>								
LEHMAN CAP TR IV	6 3/8	10-31-52	750	16.89923 16.89923 16.89220 16.89220	12,674.42 12,674.42 1,689.22 1,689.22	4.50	(12,669.92)	Short Term
			850	16.89840 16.89840	14,363.64 14,363.64	0.60	(1,688.62)	Short Term
<b>Total Corporate Fixed Income</b>					30,108.89 30,108.89	1,525.10	(28,583.79)	

This summary is not part of your account statement. It is for information purposes only and should not be used for tax preparation.

\*Adjusted Cost, Unit and Total, does not apply to all securities; it only applies to those securities whose terms can cause them to increase or reduce in value until maturity. Please contact your Financial Advisor for more information.

\*\*The "Market Value" and "Unrealized Gain/(Loss)" figures shown for Fixed Income securities are representative values, which may not reflect the value that could actually be obtained in the market. See "Pricing of Securities" at the end of this statement.

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## Unrealized Gain/(Loss)

## Mutual Funds

## Other Mutual Funds

	Quantity	Date Acquired	Unit Cost Original / Adjusted*	Total Cost Original / Adjusted*	Market Value	Unrealized Gain/(Loss)	Additional Information
VAN KAMPEN HIGH YIELD MUNI C	943.396	09-28-04	10.60000	10,000.00	7,056.60	(2,943.40)	Long Term
	762.791	01-24-05	10.74999	8,200.00	5,705.67	(2,494.33)	Long Term
	2,515.820	03-21-05	10.73208	27,000.00	18,818.33	(8,181.67)	Long Term
	1,135.050	06-21-05	10.92462	12,400.00	8,490.17	(3,909.83)	Long Term
	2,297.312	09-28-05	10.88228	25,000.00	17,183.89	(7,816.11)	Long Term
	3,567.774	12-18-06	11.21147	40,000.00	26,686.94	(13,313.06)	Long Term
Total Purchases	11,222.143		10.92482	122,600.00	83,941.60	(38,658.40)	
LT Dividend Reinvestments	1,119.470	10-29-04	10.95171	12,260.12	8,373.43	(3,886.69)	Long Term
ST Dividend Reinvestments	640.157	12-31-07	9.65800	6,182.64	4,788.61	(1,394.03)	Short Term
Fund Total	12,981.770		10.86467	141,042.76	97,103.64	(43,939.12)	
Mkt. Value vs. Total Purchases				122,600.00	97,103.64		
Net Value Increase/(Decrease) #					(25,496.36)		

## Total Mutual Funds

# Net Value Increase/(Decrease) compares your Total Purchases (excluding Dividend Reinvestments) with the Market Value of all shares you hold of the fund. This calculation is for informational purposes only, does not reflect your total unrealized gain or loss and should not be used for tax purposes.

## Certificates of Deposit\*\*

JPMC (WAMU UT) CD	3.800	6-30-09	31,000	06-23-08	100.00000	31,000.00	31,252.34	252.34	Short Term
					100.00000	31,000.00			
CAP ONE NA	4.000	1-04-10	31,000	06-23-08	100.00000	31,000.00	31,435.86	435.86	Short Term
					100.00000	31,000.00			
Total Certificates of Deposit						62,000.00	62,688.20	688.20	
						62,000.00			

This summary is not part of your account statement. It is for information purposes only and should not be used for tax preparation.

\*Adjusted Cost, Unit and Total, does not apply to all securities; it only applies to those securities whose terms can cause them to increase or reduce in value until maturity. Please contact your Financial Advisor for more information.

\*\*The "Market Value" and "Unrealized Gain/(Loss)" figures shown for Fixed Income securities are representative values, which may not reflect the value that could actually be obtained in the market. See "Pricing of Securities" at the end of this statement.

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CLIFFORD KRAUS &  
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Unrealized Gain/(Loss)	Quantity	Date Acquired	Unit Cost Original / Adjusted*	Market Value	Unrealized Gain/(Loss)	Additional Information
Totals for positions with cost data available			\$333,151.65	\$261,316.94	(\$71,834.71)	
Total Market Value for all positions				\$288,733.34		

The "Total Cost" and "Unit Cost" for Fixed Income Unit Trusts, Mortgage-Backed Securities, and Zero Coupon Bonds has been adjusted to reflect any partial return of principal or capital that may have been paid to you, or accreted interest earned, since your purchase date. In the event that the accumulated total return of principal or capital is greater than the provided original cost, the adjusted cost will be "0.00".

Realized Gain/(Loss)	Quantity	Date Acquired	Date Sold	Total Cost Original / Adjusted*	Proceeds	Realized Gain/(Loss)	Additional Information
<b>Short Term</b>							
UNIT VK GLOBAL 45 2008-1	2,640	01-23-08	06-23-08	24,390.96	21,196.32	(3,194.64)	Short Term
UNIT VK SELECT 10 INDUS 2007-5	4,954	09-07-07	06-23-08	44,888.10	35,287.17	(9,600.93)	Short Term
UNIT VK SELECT 10 INDUS 2007-5	11	10-25-07	06-23-08	109.10	78.35	(30.75)	Short Term
UNIT VK SELECT 10 INDUS 2007-5	20	11-25-07	06-23-08	181.84	142.46	(39.38)	Short Term
UNIT VK SELECT 10 INDUS 2007-5	13	12-25-07	06-23-08	119.92	92.60	(27.32)	Short Term
UNIT VK SELECT 10 INDUS 2007-5	14	01-25-08	06-23-08	118.09	99.72	(18.37)	Short Term
UNIT VK SELECT 10 INDUS 2007-5	19	02-25-08	06-23-08	161.45	135.34	(26.11)	Short Term
UNIT VK SELECT 10 INDUS 2007-5	16	03-25-08	06-23-08	128.69	113.97	(14.72)	Short Term
UNIT VK SELECT 10 INDUS 2007-5	14	04-25-08	06-23-08	114.49	99.72	(14.77)	Short Term
UNIT VK SELECT 10 INDUS 2007-5	20	05-25-08	06-23-08	159.60	142.46	(17.14)	Short Term
UNIT VK SELECT 10 INDUS 2007-5	18	06-25-08	11-06-08	129.06	106.63	(22.43)	Short Term
VAN KAMPEN EQUITY AND INCOME C	13.473	09-12-07	06-23-08	123.01	105.61	(17.40)	Short Term
VAN KAMPEN EQUITY AND INCOME C	15.263	12-11-07	06-23-08	134.62	119.64	(14.98)	Short Term
VAN KAMPEN EQUITY AND INCOME C	101.177	12-11-07	06-23-08	892.38	793.07	(99.31)	Short Term
VAN KAMPEN EQUITY AND INCOME C	17.079	12-11-07	06-23-08	150.64	133.87	(16.77)	Short Term
VAN KAMPEN EQUITY AND INCOME C	18.448	03-12-08	06-23-08	147.95	144.60	(3.35)	Short Term
VAN KAMPEN EQUITY AND INCOME C	2.842	03-12-08	06-23-08	22.79	22.28	(.51)	Short Term
VAN KAMPEN EQUITY AND INCOME C	16.748	06-11-08	06-23-08	133.82	131.29	(2.53)	Short Term

This summary is not part of your account statement. It is for information purposes only and should not be used for tax preparation.

\*Adjusted Cost, Unit and Total, does not apply to all securities; it only applies to those securities whose terms can cause them to increase or reduce in value until maturity. Please contact your Financial Advisor for more information.

ACTIVE ASSETS ACCOUNT ®  
FOR MONTH ENDING DECEMBER 31, 2008

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CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TENAccount Number  
319 058773 301

Realized Gain/(Loss)		Quantity	Date Acquired	Date Sold	Total Cost Original / Adjusted*	Proceeds	Realized Gain/(Loss)	Additional Information
Sub Total Short Term								
Long Term								
LUCENT TECHNOLOGI	5 1/2	11-15-08	02-05-01	11-17-08				
MS FOCUS GROWTH FD C			02-26-01	06-23-08	1,779.85	2,000.00	220.15	Long Term
PHILA TH/35-B2 BE	5.436	2-15-33	08-09-04	05-16-08	9,600.00	9,839.95	239.95	Long Term
UNIT VK GLOBAL 45	2007-1		01-22-07	01-23-08	100,001.42	100,000.00	(1.42)	Long Term
					26,229.48			Long Term
					26,035.33	24,398.18	(1,637.15)	
VAN KAMPEN EQUITY AND INCOME C			12-02-03	06-23-08	20,999.97	21,802.37	802.40	Long Term
VAN KAMPEN EQUITY AND INCOME C			12-10-03	06-23-08	75.20	78.38	3.18	Long Term
VAN KAMPEN EQUITY AND INCOME C			12-10-03	06-23-08	7.13	7.43	.30	Long Term
VAN KAMPEN EQUITY AND INCOME C			03-17-04	06-23-08	71.55	70.55	(1.00)	Long Term
VAN KAMPEN EQUITY AND INCOME C			03-17-04	06-23-08	4.12	4.06	(.06)	Long Term
VAN KAMPEN EQUITY AND INCOME C			06-16-04	06-23-08	75.93	75.63	(.30)	Long Term
VAN KAMPEN EQUITY AND INCOME C			09-15-04	06-23-08	76.19	75.31	(.88)	Long Term
VAN KAMPEN EQUITY AND INCOME C			12-08-04	06-23-08	119.05	112.57	(6.48)	Long Term
VAN KAMPEN EQUITY AND INCOME C			12-08-04	06-23-08	37.24	35.21	(2.03)	Long Term
VAN KAMPEN EQUITY AND INCOME C			03-16-05	06-23-08	73.56	68.89	(4.67)	Long Term
VAN KAMPEN EQUITY AND INCOME C			03-16-05	06-23-08	325.18	304.53	(20.65)	Long Term
VAN KAMPEN EQUITY AND INCOME C			06-15-05	06-23-08	85.76	79.18	(6.58)	Long Term
VAN KAMPEN EQUITY AND INCOME C			09-14-05	06-23-08	86.06	76.57	(9.49)	Long Term
VAN KAMPEN EQUITY AND INCOME C			12-14-05	06-23-08	826.32	748.79	(77.53)	Long Term
VAN KAMPEN EQUITY AND INCOME C			12-14-05	06-23-08	68.91	62.44	(6.47)	Long Term
VAN KAMPEN EQUITY AND INCOME C			12-14-05	06-23-08	86.35	78.25	(8.10)	Long Term
VAN KAMPEN EQUITY AND INCOME C			03-15-06	06-23-08	38.67	35.16	(3.51)	Long Term
VAN KAMPEN EQUITY AND INCOME C			03-15-06	06-23-08	100.30	91.21	(9.09)	Long Term
VAN KAMPEN EQUITY AND INCOME C			03-15-06	06-23-08	375.21	341.19	(34.02)	Long Term
VAN KAMPEN EQUITY AND INCOME C			06-14-06	06-23-08	102.28	96.25	(6.03)	Long Term
VAN KAMPEN EQUITY AND INCOME C			09-13-06	06-23-08	106.71	95.05	(11.66)	Long Term
VAN KAMPEN EQUITY AND INCOME C			12-13-06	06-23-08	776.58	680.14	(96.44)	Long Term
VAN KAMPEN EQUITY AND INCOME C			12-13-06	06-23-08	92.84	81.31	(11.53)	Long Term
VAN KAMPEN EQUITY AND INCOME C			12-13-06	06-23-08	107.13	93.83	(13.30)	Long Term
VAN KAMPEN EQUITY AND INCOME C			03-14-07	06-23-08	121.82	108.63	(13.19)	Long Term
VAN KAMPEN EQUITY AND INCOME C			03-14-07	06-23-08	5.79	5.17	(.62)	Long Term
VAN KAMPEN EQUITY AND INCOME C			03-14-07	06-23-08	110.89	98.88	(12.01)	Long Term
VAN KAMPEN EQUITY AND INCOME C			06-13-07	06-23-08	120.25	100.38	(19.87)	Long Term
Sub Total Long Term						\$161,745.49	(\$748.10)	

This summary is not part of your account statement. It is for information purposes only and should not be used for tax preparation.

\*Adjusted Cost, Unit and Total, does not apply to all securities; it only applies to those securities whose terms can cause them to increase or reduce in value until maturity. Please contact your Financial Advisor for more information.

**ACTIVE ASSETS ACCOUNT ®  
FOR MONTH ENDING DECEMBER 31, 2008**

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CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN

Account Number  
319 058773 301

Realized Gain/(Loss)	Quantity	Date Acquired	Date Sold	Total Cost Original / Adjusted*	Proceeds	Realized Gain/(Loss)	Additional Information
<b>Totals for closing transactions with cost data available</b>							
<b>Total Proceeds</b>				\$234,600.10	\$220,690.59	(\$13,909.51)	

Summary	Short Term		Long Term		Total
Unrealized gain.....	\$688.20		\$0.00		\$688.20
Unrealized (loss).....	(\$29,977.82)		(\$42,545.09)		(\$72,522.91)
Realized gain YTD.....	\$0.00		\$1,265.98		\$1,265.98
Realized (loss) YTD.....	(\$13,161.41)		(\$2,014.08)		(\$15,175.49)

\*Adjusted Cost, Unit and Total, does not apply to all securities; it only applies to those securities whose terms can cause them to increase or reduce in value until maturity. Please contact your Financial Advisor for more information.

**ACTIVE ASSETS ACCOUNT<sup>®</sup>**  
**FOR MONTH ENDING DECEMBER 31, 2008**

CLIFFORD KRAUS &  
 SUSANNE K KRAUS JT TEN

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Account Number  
 319 058773 301

## INDIVIDUAL EQUITY RATINGS

DESCRIPTION	QUANTITY	CURRENT-PRICE	MARKET-VALUE	RATING	MORGAN STANLEY RESEARCH		ADDITIONAL RESEARCH	
					INDUSTRY VIEW	VOLATILITY	NAME	RATING
WELLS FARGO & CO NEW	930	29.48	27,416.40	Overweight	In-Line	-	S&P	3* Hold

Independent, third-party research on equity securities of certain companies covered by Morgan Stanley Equity Research is available to U.S. customers of Morgan Stanley at no cost. Customers can access this research by visiting [www.morganstanley.com/equityresearch](http://www.morganstanley.com/equityresearch), by calling 800-624-2063 or by contacting a Morgan Stanley representative to request that a copy of this research be sent to them.

Research does not provide individually tailored investment advice. Research reports are prepared without regard to the individual financial circumstances and objectives of persons who receive them. The securities and other financial instruments discussed in any report may not be suitable for or available to all investors. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's investment objectives, financial situation, investment horizon and existing holdings) and other considerations. Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the views of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives as well as market conditions at the time. For additional information, please contact a Morgan Stanley representative.

## RESEARCH RATINGS DEFINITIONS

### Morgan Stanley Stock Ratings

**Overweight (O)** : The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

**Equal-weight (E)** : The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

**Underweight (U)** : The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

**Not-Rated (NA)** : Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months. Please note that NA may also be used to designate stocks where a rating is not currently available for policy reasons. For the current list of Not-Rated/Hold stocks please email [morganstanley.research@morganstanley.com](mailto:morganstanley.research@morganstanley.com).

### Morgan Stanley Industry Views

**Attractive (A)** : The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark named on the cover of the corresponding report.

**In-Line (I)** : The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark named on the cover of the corresponding report.

**Cautious (C)** : The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark named on the cover of the corresponding report.

Unless otherwise specified, the time frame for Morgan Stanley price targets is 12 to 18 months.



## RESEARCH RATINGS DEFINITIONS

### S&P

- 5\* Strong Buy : Stock expected to outperform the S&P 500 Index by a wide margin, with shares rising in absolute price over the next 12 months.
- 4\* Buy : Stock expected to outperform the S&P 500 Index, with shares rising in absolute price over the next 12 months.
- 3\* Hold : Stock expected to closely approximate that of the S&P 500 Index, with shares generally rising in price over the next 12 months.
- 2\* Sell : Stock expected to underperform the S&P Index, and share price is not anticipated to show a gain over the next 12 months.
- 1\* Strong Sell : Stock expected to underperform the S&P 500 Index, with shares falling in absolute price over the next 12 months.

NA appearing for Morgan Stanley Research indicates that either the rating for this stock is not available because of a Morgan Stanley policy or, the rating for this stock is Not-Rated as per the definition in Research Ratings Definitions above. For a current list of Morgan Stanley stocks rated Not-Rated as defined above, please email [morganstanley.research@morganstanley.com](mailto:morganstanley.research@morganstanley.com). NA appearing for an independent third party research provider indicates that the ratings for this company are not available because of a Morgan Stanley policy.

"NC" appearing on the Morgan Stanley ratings line indicates that Morgan Stanley does not carry an opinion on this security. Morgan Stanley might carry an opinion on a different security on this company. Please contact your Financial Advisor for information.

The securities ratings that appear here have been taken from research reports prepared by Morgan Stanley Equity Research as well as reports prepared by independent third party research providers who were selected by Morgan Stanley's Independent Consultant and are provided for information purposes only. The independent third party research reports were prepared without input from Morgan Stanley. Morgan Stanley does not represent that these reports are accurate or complete. The independent third party research provider whose rating is shown for each security may not be representative of the ratings assigned to that security by other independent third party research providers or by Morgan Stanley. Research reports from such independent third party research providers are generally available on our website, as well as current and historical ratings for the providers. You are encouraged to review this and all other relevant information available regarding your investment. Different providers use different terms and systems to describe the recommendations in their research reports. For example, Morgan Stanley uses a relative rating system including terms such as Overweight, Equal-weight or Underweight (see explanations within definitions section). In addition, Morgan Stanley applies an industry rating system which compares the analyst's view of the industry to the broader market benchmark. A rating system using terms such as buy, hold and sell may not be equivalent to our rating system. Investors should carefully read the explanations of all ratings shown. The ratings assigned to each security and the explanations for the ratings used by the independent third party research providers have been furnished to us by such providers. In addition, since the research report contains more complete information concerning the analyst's views, investors should read the entire research report and not infer its contents from the rating alone.

All ratings shown on statements are as of the last business day of the month. All ratings shown on confirms are as of the current business day.

**Account  
Valuation**

This figure represents the approximate value of your account on a settlement date basis and is computed by adding (1) the market value of all priced positions and (2) market values provided by pricing services and correspondent custodians for other positions, and by adding any credit or subtracting any debit to your closing cash, or money market fund and/or bank deposit balance. Please note, this valuation may be adjusted for the net change in priced asset values for securities held or for the net change in money market balances during the statement period. Your closing cash, money market fund and/or bank deposit balance represents the cash, money market funds and/or bank deposits and reflects the net month end available balance.

The Bank Deposit Annual Percentage Yield ("APY") represents the applicable rate in effect for your deposits at the statement ending date. This APY may be different than the APY that was in effect during the statement period. For current Bank Deposit or Money Market Fund yields, go to

<http://www.morganstanley.com/AccountOptions/ActiveAssets/InvestmentFeatures/>

**Availability of  
Free Credit  
Balances and  
Financial  
Statements**

Under the customer protection rules of the SEC [17 CFR 240.15c3-2 & -3], Morgan Stanley & Co. Incorporated may use free credit balances in your account which are payable to you on demand, in the ordinary course of its business. We send summary Morgan Stanley & Co. Incorporated financial statements to you semiannually; copies are also available on request, by mail.

**Certain  
Assets Not  
Held At Morgan  
Stanley & Co.  
Incorporated**

You may purchase certain assets through Morgan Stanley & Co. Incorporated that may be held at a financial institution other than Morgan Stanley & Co. Incorporated. Assets not held at Morgan Stanley & Co. Incorporated may not be covered by SIPC protection. We may include information about these assets on your Morgan Stanley & Co. Incorporated statement, solely as a service to you and are not responsible for information (including valuation) derived from you or another external source. Generally, any financial institution that holds securities is responsible for providing taxable year-end reporting (1099s) and separate periodic statements, which may vary from our information due to different tax reporting periods. In the case of Morgan Stanley, Van Kampen and external networked mutual funds, Morgan Stanley & Co. Incorporated performs all year-end tax reporting (1099s). Under certain circumstances, such as IRA accounts, Morgan Stanley & Co. Incorporated performs all tax reporting.

**Client's  
Investment  
Objectives  
and Financial  
Situation**

It is essential to advise your Financial Advisor immediately if there is a material change in your investment objectives or financial situation.

**Dividend/  
Interest  
(Month/YTD)**

These figures represent dividends and/or interest on securities received by Morgan Stanley and credited to your account during the calendar year. As required by law, Morgan Stanley reports to the Internal Revenue Service dividend distributions and taxable bond interest credited to your account. The totals reported are indicated as the year-to-date (YTD) figures on the last statement for the calendar year. In the case of Real Estate Investment Trusts (REITs), Master Limited Partnerships, Regulated Investment Companies and Unit Investment Trusts, some sponsors may reclassify the distribution to a different tax type for year-end reporting (1099).

**Errors and  
Inquiries**

If you do not understand an entry on your statement or suspect an error was made, it is essential that you immediately contact the manager of the office servicing your account. Oral communications regarding any inaccuracy or discrepancy in this statement should be re-confirmed in writing to further protect your rights, including rights under the Securities Investor Protection Act (SIPA). We will consider your statement to be correct unless we receive a written inquiry from you about the suspected error within 10 calendar days from the day on which you received your statement. It is your responsibility to review your statement promptly and to seek immediate clarification about entries that you do not understand.

**Estimated  
Annual  
Income and  
Yields**

Estimated annual income and yields are calculated by annualizing the most recent distribution and do not reflect historic experience or projected future results. Since the rates are subject to change at any time, they should not be solely relied upon for making investment or trading decisions. You should consult with your Financial Advisor to obtain accurate, current information so you can make an informed decision.

**Listed  
Options**

Information with respect to commissions and other charges related to the execution of options transactions has been included in confirmations of such transactions previously furnished to you and such information will be made available to you promptly at your request.

**Margin Interest  
Charges**

Morgan Stanley calculates interest charges on margin loans as follows:  
(1) Multiply the applicable margin interest rate by the daily close of business net settled debit balance. (2) Divide by 360 (days).

Margin interest accrues daily throughout the month and is added to your debit balance at month-end. The month-end interest charge is the sum of the daily accrued interest calculations for the month. Morgan Stanley adds the accrued interest to your debit balance and starts a new calculation each time the applicable interest rate changes and at the close of every statement month. For current margin loan interest rates, please go to <http://www.morganstanley.com/customerservice/disclosures/#4>

**Margin Privileges  
(not available for  
certain accounts such  
as IRAs or retirement  
accounts)**

If you have margin privileges, you may borrow money from Morgan Stanley in exchange for pledging assets in your account as collateral for any outstanding margin loan. The amount you may borrow is based on the value of the eligible securities in your margin account, which are identified by an asterisk(\*) on your statement.

**Pricing of  
Securities**

The prices of securities displayed on your statement are derived from various sources and in some cases may be higher or lower than the price that you would actually receive in the market. Although we attempt to use reliable sources of information, we can offer no assurance as to its accuracy.

For securities listed on an exchange or trading continually in an active marketplace, the price reflects the market quotations at the close of your statement period. The prices of securities not actively traded may not be available. These are indicated by N/A (not available).

For bonds trading less frequently, we rely on outside pricing services or a computerized pricing model, which cannot always give us actual market values. Similarly, some annuity values provided by outside sponsors are estimates.

The amounts on this statement for limited partnerships are typically obtained from a third party or from the general partners unless Morgan Stanley has obtained other information such as an independent appraisal. Since many partnership valuations are provided only annually, they do not always represent current values.

Furthermore, limited partnerships and non-traded REITs are illiquid and have no public markets, so the amounts showing on this statement may not equal the amounts you would receive if you sold your investment.

The value of mutual fund shares is determined by multiplying the net asset value (NAV) by the number of shares or units held, as reported to Morgan Stanley by the correspondent custodian. If we cannot obtain a price or estimate, N/A appears. Speak to your Financial Advisor to obtain current information concerning the prices on your statements.

**Security  
Measures**

Your Morgan Stanley statement features several embedded security elements to safeguard its authenticity. One is a unique security mark—a blue rectangle with the letters MS printed in heat-sensitive blue ink on the front side of every page. When exposed to warmth, the blue rectangle will disappear, and then reappear.

**SIPC Protection**

Securities and cash held in Morgan Stanley & Co. Incorporated accounts are protected up to their full net equity value by a combination of coverage provided by the Securities Investor Protection Corporation (SIPC), a non-profit organization created by an Act of Congress, and additional protection provided from a private insurer by Morgan Stanley (the Excess Coverage). Excess Coverage provides additional protection up to the full net equity value of each account including unlimited coverage for uninvested cash. SIPC protects up to \$500,000 of each client's securities, of which up to \$100,000 may be uninvested cash. SIPC and Excess Coverage apply only to securities and cash in the exclusive possession and control of Morgan Stanley & Co. Incorporated and do not protect against losses due to market fluctuations. Detailed information is available upon request.

**Taxes**

Under Federal Income Tax law, Morgan Stanley is required to report the gross proceeds of sales transactions (including entering into short sales) to you on Form 1099-B by January 31 of the year following the calendar year of the transaction. The information reported on your Form 1099-B for the calendar year should be exclusively relied upon for the purpose of filing your tax return for the year. Under U.S. Internal Revenue Service regulations, if you have not provided us with certification of either U.S. or foreign status on an appropriate Form W-9 or W-8, your account may be subject to either 28% backup withholding or 30% nonresident alien withholding, as applicable, on payments made to your account.

**Transaction Dates  
and  
Conditions**

All transaction dates on this statement are the transactions' settlement dates. In the case of unsettled trades, we list the trade date instead of the settlement date with a notation that the trade is unsettled. Upon written request, Morgan Stanley will furnish the date and time of a transaction and the name of the other party to a transaction. Morgan Stanley accepts benefits that constitute payment for order flow. Details regarding these benefits and the source and amount of any other remuneration received or to be received by us in connection with any transaction will be furnished upon written request.

ST500B  
Revised 10/2007

Investments and services are offered through Morgan Stanley & Co. Incorporated, member SIPC.

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MorganStanley  
SmithBarney

CLIENT STATEMENT | For the Period September 1-30, 2009

#BWNJGWM

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CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN  
PO BOX 72  
ELEPHANT BUTTE NM 87935-0072

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Client Interaction Center

800-869-3326  
24 Hours a Day, 7 Days a Week

Access your accounts online

[www.morganstanley.com/online](http://www.morganstanley.com/online)

Investments and services offered through Morgan Stanley Smith Barney LLC, and accounts carried by Morgan Stanley & Co. Incorporated; members SIPC.

TOTAL VALUE LAST PERIOD (as of 8/31/09)	\$336,985.23
NET CONTRIBUTIONS/WITHDRAWALS	—
PORTFOLIO INCOME & APPRECIATION	11,463.92
<b>TOTAL VALUE OF YOUR ACCOUNT</b> (as of 9/30/09)	<b>\$348,449.15</b>

Your Financial Advisor Team  
The Johnson Group

Your Financial Advisors

**Mark Johnson**  
Senior Vice President  
Mark.L.Johnson@morganstanley.com  
952 475-4112

**William Barton McNabb**  
Bart.Mcnabb@morganstanley.com  
952 475-4113

**Debbie McKinney**  
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**Peter Willcox**  
Peter.Willcox@morganstanley.com  
952 475-4115

# Morgan Stanley Smith Barney

CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN

CLIENT STATEMENT | For the Period September 1-30, 2009

## Account Summary

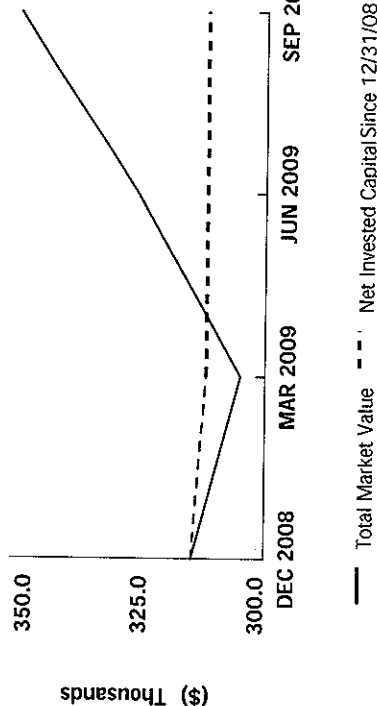
Brokerage Account  
Householding Anniversary Date: 10/25/02  
Investment Objectives: Income, Capital Appreciation

### CHANGE IN VALUE OF YOUR ACCOUNTS

	This Year (1/1/09-9/30/09)	This Period (9/1/09-9/30/09)
<b>Total Beginning Market Value</b>	<b>\$314,379.49</b>	<b>\$336,985.23</b>
Contributions	—	—
Withdrawals	(2,800.00)	—
Security Transfers	—	—
<b>Net Contributions/Withdrawals</b>	<b>\$(2,800.00)</b>	<b>—</b>
Portfolio Income	9,280.29	709.11
Net Portfolio Appreciation	27,589.37	10,754.81
<b>Total Ending Market Value</b>	<b>\$348,449.15</b>	<b>\$348,449.15</b>

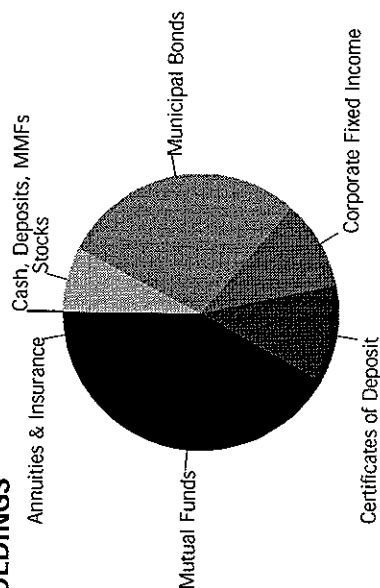
### CHANGE IN VALUE OVER TIME

This graph compares the total value of your account to the net amount invested. Net investment is the total amount invested minus the total amount withdrawn.



This exhibit may not include transactions for investments in Annuities or where Morgan Stanley & Co. Incorporated is not the custodian. This may affect the reported Net Invested Capital. If we are not the custodian there may also be a delay in the reporting of your Market Value. Please speak to your Financial Advisor if you have any questions. ^ See the Disclosures section of your statement for more information about investment objectives. Please review for accuracy and inform us if your investment objectives change.

### ALLOCATION OF HOLDINGS



	Market Value	Percentage %
Cash, Deposits, MMFs*	\$309.00	0.1
Stocks	26,207.40	7.5
Municipal Bonds	100,000.00	28.7
Corporate Fixed Income	35,748.40	10.3
Certificates of Deposit	40,234.00	11.5
Mutual Funds	127,477.48	36.6
Annuities & Insurance	18,472.87	5.3
<b>TOTAL</b>	<b>\$348,449.15</b>	<b>100.0%</b>

We classify assets based on certain general characteristics such as: income generation, underlying capital structure, or exposure to certain market sectors. As many assets contain characteristics of more than one asset class, the asset classification reflected on this statement may differ from others you may receive. These classifications are not intended to serve as a suitability analysis. \* Eligible for FDIC insurance; FDIC rules apply. Not SIPC insured.

ALFRED HENCK  
ALFRED HENCK  
ALFRED HENCK

Active Assets Account  
# 319-058773-072

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of 16

# MorganStanley SmithBarney

CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN

CLIENT STATEMENT | For the Period September 1-30, 2009

## Account Summary

### BALANCE SHEET

	Last Period (as of 8/31/09)	This Period (as of 9/30/09)
<b>NET ASSET VALUE</b>	<b>\$336,985.23</b>	<b>\$348,449.15</b>
<b>ASSETS</b>	<b>\$336,985.23</b>	<b>\$348,449.15</b>
Cash, Deposits, MMFs	9,194.11	309.00
Stocks	25,593.60	26,207.40
Municipal Bonds	100,000.00	100,000.00
Corporate Fixed Income	35,725.92	35,748.40
Government Securities	—	—
Certificates of Deposit	31,325.19	40,234.00
Mutual Funds	116,930.47	127,477.48
Unit Investment Trusts	—	—
Annuities & Insurance	18,215.94	18,472.87
Other	—	—

### LIABILITIES (Outstanding Balance)

There are no liabilities for this account.

### CASH FLOW

	This Year (1/1/09-9/30/09)	This Period (9/1/09-9/30/09)
<b>OPENING CASH BALANCE</b>	<b>\$10,494.61</b>	<b>\$9,194.11</b>
<b>NET CREDITS/DEBITS</b>	<b>\$2,800.00</b>	<b>—</b>
<b>CREDITS</b>	<b>—</b>	<b>—</b>
Electronic Transfers	—	—
Check Deposits	—	—
Other Credits	—	—
<b>DEBITS</b>	<b>\$(2,800.00)</b>	<b>—</b>
World Card	—	—
ATM/Cash Advances	—	—
Checks	(2,800.00)	—
Automated Payments	—	—
Electronic Transfers	—	—
Interest Charged	—	—
Tax Withholdings	—	—
Other Debits	—	—
<b>NET CASH FROM INVESTMENTS</b>	<b>\$(7,385.61)</b>	<b>\$(8,885.11)</b>
Income	9,280.29	709.11
Dividend Reinvestments	(5,261.63)	(594.22)
Purchases	(42,404.27)	(9,000.00)
Sales/Redemptions	31,000.00	—
<b>CLOSING CASH BALANCE</b>	<b>\$309.00</b>	<b>\$309.00</b>

Account Summary

CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN

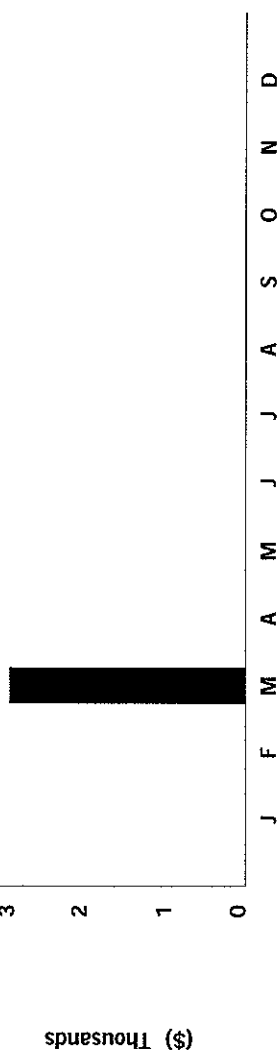
INCOME SUMMARY

	This Year (1/1/09-9/30/09)	This Period (9/1/09-9/30/09)
TOTAL INCOME	\$9,280.29	\$709.11
TAXABLE INCOME	3,288.34	48.12
Dividends	409.20	46.50
Capital Gain Distributions	—	—
Interest	2,879.14	1.62
Other Income	—	—
TAX-EXEMPT INCOME	5,991.95	660.99
Dividends	5,261.63	594.22
Interest	730.32	66.77

Taxable and tax exempt income classifications are based on the characteristics of the underlying securities and not the taxable status of the account.

TOTAL SPENDING BY MONTH, YEAR TO DATE

Spending is Payments, World Card, Checking, ATM Withdrawals and Cash Advances.



GAIN/(LOSS) SUMMARY

This Year (1/1/09-9/30/09)	Short-Term	Long-Term
NET REALIZED	—	—
Gain	—	—
(Loss)	—	—
This Period (9/1/09-9/30/09)	Short-Term	Long-Term
NET REALIZED	—	—
Gain	—	—
(Loss)	—	—
NET UNREALIZED (9/30/09)	\$1,018.92	\$(46,663.68)
Gain	1,102.25	242.73
(Loss)	(83.33)	(46,906.41)

Gain / loss and income information are provided for informational purposes only and should not be used for tax preparation. Please refer to the gain / loss section of the disclosures for important information about gain / loss reporting.

WORLD CARD REWARDS SUMMARY

	Reward Points
BEGINNING BALANCE	—
TOTAL POINTS EARNED	—
World Card Spend	—
Other Point Activity	—
Bonus Points	—
Other Adjustments	—
TOTAL POINTS REDEEMED	—
ENDING BALANCE	—

MorganStanley  
SmithBarney

CLIENT STATEMENT | For the Period September 1-30, 2009

## Account Summary

CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN

### ADDITIONAL ACCOUNT INFORMATION

Tax Category	This Year (1/1/09-9/30/09)	This Period (9/1/09-9/30/09)
Accrued Interest Paid	\$557.49	—



# Morgan Stanley Smith Barney

CLIENT STATEMENT | For the Period September 1-30, 2009

## Holdings

CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN

The "Market Value" and "Unrealized Gain/(Loss)" figures shown are representative values as of the last business day of the period shown above which may not reflect the value that could actually be obtained in the market. See "Pricing of Securities" in the Disclosures section at the end of this statement. Estimated annual income and estimated yield for certain securities can include return of principal or capital gains which could overstate such estimates. Estimated yield and estimated annual income are estimates and the actual income or yield may be lower or higher than the estimates. Estimated yield reflects only the income generated by an investment. It does not reflect changes in its price, which may fluctuate. Gain / loss information is provided for informational purposes only and should not be used for tax preparation. Please refer to the gain / loss section of the disclosures for important information about gain / loss reporting.

## CASH, DEPOSITS AND MONEY MARKET FUNDS

Description	Value	Estimated Annual Income	7-Day Current Yield %	Annual Percentage Yield %
MORGAN STANLEY BANK N.A. #	\$309.00	\$1.00	—	0.200
Percentage of Assets %				
0.1%				
Market Value				
\$309.00				
Estimated Annual Income				
\$1.00				
Estimated Annual Income				
\$0.00				
TOTAL CASH, DEPOSITS AND MONEY MARKET FUNDS				

# Bank deposits are at Morgan Stanley Bank, N.A. and Morgan Stanley Trust (Members FDIC), affiliates of Morgan Stanley & Co. Incorporated and Morgan Stanley Smith Barney. Cash holdings shown exclude cash holdings in custody at another firm for which you receive a separate statement.

## STOCKS

### COMMON STOCKS

Security Description	Trade Date	Quantity	Total Cost	Share Price	Market Value	Unrealized Gain/(Loss)	Estimated Annual Income	Dividend Yield %
WELLS FARGO & CO NEW (WFC)	—	930.000	Please Provide	\$28.18	\$26,207.40	N/A	\$186.00	0.70
Next Dividend Payable 12/09; 930 Held on Margin								
Percentage of Assets %								
7.5%								
Total Cost								
\$0.00								
Market Value								
\$26,207.40								
Unrealized Gain/(Loss)								
\$0.00 LT								
Estimated Annual Income								
\$186.00								
Estimated Annual Income								
\$0.00								
TOTAL STOCKS								

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Active Assets Account  
# 319-058773-072

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# Morgan Stanley Smith Barney

CLIENT STATEMENT | For the Period September 1-30, 2009

## Holdings

CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN

### MUNICIPAL BONDS

Security Description	Trade Date	Face Value	Orig. Total Cost Adj. Total Cost	Unit Price	Market Value	Unrealized Gain/(Loss)	Estimated Annual Income Accrued Income	Yield %
DESOTO PARISH LA POLLUTN CTL REV REF SW ELEC PWR W/35 ARNS CUSIP 241627AU2	6/6/08	50,000.00	\$50,005.25 \$50,000.00	\$100.00	\$50,000.00	\$0.00 LT	\$431.00 \$7.18	0.86
Coupon Rate 0.862%; Matures 01/01/19; Int. Semi-Annually Apr/Oct 29; Callable \$100.00 on 10/31/09; Yield to Call .859%; First Coupon 10/29/09; Floater; Federal Tax Exempt; Moody BAA3 S&P BBB; Insurer:AMBAC; Issued 09/24/09; 50000 Held on Margin								
ROYAL OAK MI HOSP FIN AU REF-W ILLIAM BEAUMONT HSP-Q ARNS M7 CUSIP 780486EU6	6/6/08	50,000.00	50,005.25 50,000.33	100.00	50,000.00	(0.33) LT	211.00 0.58	0.42
Coupon Rate 0.422%; Matures 11/15/19; Interest Paid Weekly; Callable \$100.00 on 11/03/09; First Coupon 10/06/09; Floater; Federal Tax Exempt; Moody A1 S&P A; Insurer:NATL PUBLIC FINANCE GU; Issued 09/29/09; 50000 Held on Margin								

### TOTAL MUNICIPAL BONDS

Percentage of Assets %	28.7%
Orig. Total Cost Adj. Total Cost	\$100,010.50 \$100,000.33
Unrealized Gain/(Loss)	\$0.33 LT
Estimated Annual Income Accrued Income	\$642.00 \$7.76
Yield %	0.64%

### CORPORATE FIXED INCOME CORPORATE BONDS

Security Description	Trade Date	Face Value	Orig. Total Cost Adj. Total Cost	Unit Price	Market Value	Unrealized Gain/(Loss)	Estimated Annual Income Accrued Income	Yield %
LEHMAN BROTHERS HOLDINGS CUSIP 52517PA35	6/23/08	16,000.00	\$15,745.25 \$15,745.25	\$17.00	\$2,720.00	\$(13,025.25) LT	—	—
Coupon Rate 4.500%; Matures 07/26/10; Int. Semi-Annually Jan/Jul 26; In Default; Issued 07/13/05								
GENERAL ELECTRIC CAPITAL CORP CUSIP 36962GXS8	6/30/09	15,000.00	15,939.45 15,857.23	106.48	15,971.70	114.47 ST	881.25 110.15	5.51
Coupon Rate 5.875%; Matures 02/15/12; Int. Semi-Annually Feb/Aug 15; Yield to Maturity 3.026%; Moody AA2 S&P AA+; Issued 02/15/02; 15000 Held on Margin								
WELLS FARGO FINANCIAL CUSIP 94975CAJ6	6/30/09	16,000.00	16,907.33 16,833.80	104.74	16,759.20	(74.60) ST	980.00 441.00	5.84
Coupon Rate 6.125%; Matures 04/18/12; Int. Semi-Annually Apr/Oct 18; Yield to Maturity 4.144%; Moody A1 S&P AA-; Issued 04/18/02; 16000 Held on Margin								

# MorganStanley SmithBarney

CLIENT STATEMENT | For the Period September 1-30, 2009

## Holdings

CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN

TOTAL CORPORATE BONDS									
Security Description	Trade Date	Face Value	Orig. Total Cost Adj. Total Cost	Unit Price	Market Value	Unrealized Gain/(Loss)	Estimated Annual Income Accrued Income	Yield %	
LEHMAN CAPITAL TRUST IV	6/23/08	100.000	\$1,689.22						
CUSIP 52520B206			\$1,689.22	\$0.35	\$35.00	\$(1,654.22) LT			
	6/23/08	750.000	12,674.42						
			12,674.42	0.35	262.50	(12,411.92) LT			
<b>Total</b>		850.000	14,363.64						
			14,363.64	0.35	297.50	(14,066.14) LT			
Coupon Rate 6.375%; Matures 10/31/52; Interest Paid at Maturity; Callable \$25.00 on 10/31/09; Moody C									

TOTAL CORPORATE FIXED INCOME									
Security Description	Trade Date	Face Value	Orig. Total Cost Adj. Total Cost	Unit Price	Market Value	Unrealized Gain/(Loss)	Estimated Annual Income Accrued Income	Yield %	
CAPITAL ONE, NATIONAL ASSOCIATION	6/23/08	31,000.000	\$31,000.00						
MCLEAN VA CD			\$31,000.00	\$100.78	\$31,242.73	\$242.73 LT			
CUSIP 14042ETX8									
Coupon Rate 4.000%; Matures 01/04/10; Int. Semi-Annually Jan/Jul 02; Yield to Maturity 1.008%; Issued 07/02/08; Maturity Value = \$31,000.00									
BANCO POPULAR DE PUERTO RICO HATO	9/28/09	9,000.000	9,000.00						
REY CD			9,000.00	99.90	8,991.27	(8.73) ST			
CUSIP 059637L48									
Coupon Rate 1.100%; Matures 09/30/10; Interest Paid at Maturity; Yield to Maturity 1.198%; Issued 09/30/09; Maturity Value = \$9,000.00									

## CERTIFICATES OF DEPOSIT

Security Description	Trade Date	Face Value	Orig. Total Cost Adj. Total Cost	Unit Price	Market Value	Unrealized Gain/(Loss)	Estimated Annual Income Accrued Income	Yield %	
CAPITAL ONE, NATIONAL ASSOCIATION	6/23/08	31,000.000	\$31,000.00						
MCLEAN VA CD			\$31,000.00	\$100.78	\$31,242.73	\$242.73 LT			
CUSIP 14042ETX8									
Coupon Rate 4.000%; Matures 01/04/10; Int. Semi-Annually Jan/Jul 02; Yield to Maturity 1.008%; Issued 07/02/08; Maturity Value = \$31,000.00									
BANCO POPULAR DE PUERTO RICO HATO	9/28/09	9,000.000	9,000.00						
REY CD			9,000.00	99.90	8,991.27	(8.73) ST			
CUSIP 059637L48									
Coupon Rate 1.100%; Matures 09/30/10; Interest Paid at Maturity; Yield to Maturity 1.198%; Issued 09/30/09; Maturity Value = \$9,000.00									

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Active Assets Account  
# 319-058773-072

# MorganStanley SmithBarney

CLIENT STATEMENT | For the Period September 1-30, 2009

## Holdings

CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN

Security Description	Trade Date	Quantity	Total Cost	Share Price	Market Value	Unrealized Gain/(Loss)	Estimated Annual Income	Yield %
<b>TOTAL CERTIFICATES OF DEPOSIT</b>								
		11.5%	\$40,000.00		\$40,234.00	\$242.73 LT	\$1,339.00	3.33%
			\$40,000.00			\$(8.73) ST	\$303.26	

## MUTUAL FUNDS

### OTHER MUTUAL FUNDS

Security Description	Trade Date	Quantity	Total Cost	Share Price	Market Value	Unrealized Gain/(Loss)	Estimated Annual Income	Dividend Yield %
<b>VAN KAMPEN HIGH YIELD MUNI C (ACTFX)</b>								
	9/28/04	943.396	\$10,000.00	\$9.35	\$8,820.75	\$(1,179.25) LT		
	1/24/05	762.791	8,200.00	9.35	7,132.09	(1,067.91) LT		
	3/21/05	2,515.820	27,000.00	9.35	23,522.91	(3,477.09) LT		
	6/21/05	1,135.050	12,400.00	9.35	10,612.71	(1,787.29) LT		
	9/28/05	2,297.312	25,000.00	9.35	21,479.86	(3,520.14) LT		
	12/18/06	3,567.774	40,000.00	9.35	33,358.68	(6,641.32) LT		
<b>Purchases</b>		11,222.143	122,600.00	9.35	<b>104,927.00</b>	<b>(17,673.00) LT</b>		
Long Term Reinvestments		1,572.155	16,841.09	9.35	14,699.40	(2,141.69) LT		
Short Term Reinvestments		839.657	6,863.30	9.35	7,851.08	987.78 ST		
<b>Total</b>		13,633.955	146,304.39	9.35	<b>127,477.48</b>	<b>(19,814.69) LT</b>	6,624.00	5.19
Market Value vs Total Purchases #			122,600.00		127,477.48			
Net Value Increase/(Decrease)					4,877.48			
<i>Enrolled in MS Dividend Reinvestment; Capital Gains Reinvest</i>								

Security Description	Trade Date	Quantity	Total Cost	Share Price	Market Value	Unrealized Gain/(Loss)	Estimated Annual Income	Yield %
<b>TOTAL MUTUAL FUNDS</b>								
		36.6%	\$146,304.39		\$127,477.48	\$(19,814.69) LT	\$6,624.00	5.20%
						\$987.78 ST	\$0.00	

Transactions in mutual fund positions held directly at the Fund Company are not included in the total above and are not reflected on the Summary Page. For more information about the pricing of Money Market Funds, please see the Disclosures section of the statement.

# Net Value Increase/(Decrease) compares your Total Purchases (excluding Dividend Reinvestments) with the Market Value of all shares you hold of the fund. This calculation is for informational purposes only, does not reflect your total unrealized gain or loss and should not be used for tax purposes.

# MorganStanley SmithBarney

CLIENT STATEMENT | For the Period September 1-30, 2009

## Holdings

CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN

### ANNUITIES & INSURANCE VARIABLE RATE ANNUITIES

Security Description	Inception Date	Fund Name	Net Contributions and Withdrawals	Value	Valuation Date	Fixed Rate %	Renewal Date
AXA EQUITABLE - ELITE 07	9/18/07		\$29,957.06	\$18,472.87	9/28/09		
		EQ/ALLIBERN INTERNATIONAL		4,987.42		—	—
		EQ/ALLIBERN SMALL CAP GRO		1,911.75		—	—
		EQ/MID CAP VALUE PLUS		1,878.39		—	—
		EQ/EQUITY GROWTH PLUS		3,884.50		—	—
		EQ/LORD ABBETT GRWTH IN		5,810.81		—	—
Policy # 307736840				Market Value			
TOTAL ANNUITIES & INSURANCE				\$18,472.87			
Percentage of Assets %				5.3%			

Insurance and annuity products and values are displayed for informational purposes only. Values reflect In force annuities purchased or serviced through Morgan Stanley Smith Barney LLC as of date shown as reported by the Insurance carrier. Amounts shown may be subject to surrender and other contract charges. Net Contributions and Withdrawals is defined as either the original purchase price plus additions minus withdrawals or principal withdrawals.

Display of insurance or annuity products on the Morgan Stanley account statement does not confer or imply ownership or beneficial interest on the part of the Morgan Stanley Smith Barney account holder. All ownership, rights, benefits and payments are controlled by the contract between the insurance company and the contract owner as shown on your policy copy.

Annuitized information as provided by the insurance carrier reflects the value of the last payment made as per your instructions and does not imply that the funds were re-deposited into a Morgan Stanley Smith Barney LLC account and are provided for informational purposes only. Surrendered or annuitized policies will not appear as assets on this statement.

	Percentage of Assets %	Total Cost	Market Value	Unrealized Gain/(Loss)	Estimated Annual Income	Yield %
TOTAL ENDING MARKET VALUE	100.0%	\$349,104.64	\$348,449.15	\$(46,663.68) LT \$1,018.92 ST	\$10,653.25 \$862.17	3.06%

Unrealized Gain/Loss Totals only reflect positions that have cost basis information available. Cash, MMF, Deposits and positions stating 'Please Provide' are not included.

**CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN**

**CLIENT STATEMENT** | For the Period September 1-30, 2009

# Activity

## CASH FLOW ACTIVITY

<b>Transaction Settlement</b>					
Date	Date	Activity Type	Description	Comments	Inflows/(Outflows)
8/31	8/31	Tax Exempt Dividend	VAN KAMPEN HIGH YIELD MUNI C DIV PAYMENT		\$594.22
8/31	8/31	Dividend Reinvestment	VAN KAMPEN HIGH YIELD MUNI C	REINVESTMENT	(594.22)
9/1	9/1	Dividend	WELLS FARGO & CO NEW		46.50
9/1	9/1	Tax Exempt Interest Income	ROYAL OAK M/7 BE 0436 *19NV15		4.36
9/8	9/8	Tax Exempt Interest Income	ROYAL OAK M/7 BE 0436 *19NV15		4.24
9/15	9/15	Tax Exempt Interest Income	ROYAL OAK M/7 BE 0418 *19NV15		4.24
9/22	9/22	Tax Exempt Interest Income	ROYAL OAK M/7 BE 0425 *19NV15		4.06
9/24	9/24	Tax Exempt Interest Income	DESOTO POLLUTN BE 0862 *19JA01		45.74
9/28	9/30	Bought	BANCO POPULAR 1100 10SP30		9,000.000
9/29	9/29	Interest income	MORGAN STANLEY BANK N.A. (Period 08/29-09/29)		1.62
9/29	9/29	Tax Exempt Interest Income	ROYAL OAK M/7 BE 0422 *19NV15		4.13
<b>NET INFLWS/(OUTFLOWS)</b>					<b>\$18,885.11</b>

*Purchase and Sale transactions above may have received an average price execution. Details regarding the actual prices are available upon request.*

## MMF AND BANK DEPOSITS ACTIVITY

Date	Activity Type	Description	Bank Deposit Program/ Money Market Funds
9/2	Automatic Investment	BANK DEPOSIT PROGRAM	\$50.86
9/9	Automatic Investment	BANK DEPOSIT PROGRAM	4.24
9/16	Automatic Investment	BANK DEPOSIT PROGRAM	4.24
9/23	Automatic Investment	BANK DEPOSIT PROGRAM	4.06
9/25	Automatic Investment	BANK DEPOSIT PROGRAM	45.74
9/29	Automatic Investment	BANK DEPOSIT PROGRAM	1.62
9/30	Automatic Redemption	BANK DEPOSIT PROGRAM	(8,995.87)
<b>NET ACTIVITY FOR PERIOD</b>			<b>\$ (8,885.11)</b>

## REALIZED GAIN/(LOSS) DETAIL

## LONG-TERM

Security Description	Date Acquired	Date Sold	Quantity	Sales Proceeds	Orig / Adj Total Cost	Realized Gain/(Loss)	Comments
3.800 6-30-09 IPMC (WAMU UT) CD	06/23/08	06/30/09	31,000.000	\$31,000.00	\$31,000.00	\$0.00	

CONTINUED

# MorganStanley SmithBarney

CLIENT STATEMENT | For the Period September 1-30, 2009

## Activity

CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN

### REALIZED GAIN/(LOSS) DETAIL

#### LONG-TERM (CONTINUED)

Security Description	Date Acquired	Date Sold	Quantity	Sales Proceeds	Orig / Adj Total Cost	Realized Gain/(Loss)	Comments
Long-Term This Period				\$0.00	\$0.00	\$0.00	
Long-Term Year to Date				\$31,000.00	\$31,000.00	\$0.00	
Net Realized Gain/(Loss) This Period				\$0.00	\$0.00	\$0.00	
Net Realized Gain/(Loss) Year to Date				\$31,000.00	\$31,000.00	\$0.00	

Gain / loss information is provided for informational purposes only and should not be used for tax preparation. Please refer to the gain / loss section of the disclosures for important information about gain / loss reporting.

ALFRED HENCK  
ATTORNEY AT LAW  
NEW YORK, NY

Active Assets Account  
# 319-058773-072

# Morgan Stanley Smith Barney

CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN

CLIENT STATEMENT | For the Period September 1-30, 2009

## Messages

### UIGEA Disclosure Notification for Existing

#### Commercial Customers

This Notice is to inform you of your responsibilities under the Unlawful Internet Gambling Enforcement Act ("the Act"), which becomes effective December 1, 2009. Under the Act, neither you nor any other person who has an ownership interest in or authority over, your account may use it to process or facilitate payments for restricted Internet gambling transactions. For additional information regarding your responsibilities under the Act, including the types of transactions that may be restricted or prohibited by law, please refer to: <http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20081112a1.pdf>

### Notice of Changes to World Card Reward Program

Effective November 1, 2009, changes will be made to the World Card Rewards Program. You will still be able to redeem points for fees and commissions, however the 50% point bonus offer on Financial Reward redemptions will no longer be available. Additionally, the Fixed Air Rewards option (30,000 points for a round trip airline ticket for a value up to \$500) is being discontinued. You can still redeem points for Flexible Air Rewards (5,000 points for every \$50). If you have any further questions, please contact your Financial Advisor or Customer Service at 1-800-688-3462.

### TLGP Debt: Temporary Liquidity Guarantee

**Program Debt**  
Bonds issued under the FDIC's Temporary Liquidity Guarantee Program (TLGP) are backed by the full faith and credit of the United States through the earlier of the maturity date of the debt or June 30, 2012 for securities issued prior to April 1, 2009, and the earlier of the maturity date of the debt or December 31, 2012 for securities issued on or after April 1, 2009. For more information visit

[www.fdic.gov/tlgp](http://www.fdic.gov/tlgp). Guarantees do not eliminate market risk.

### Questions?

Questions regarding your account may be directed to either your Financial Advisor or the Branch Manager for the branch office where you maintain your account. If you require further assistance, your inquiries may also be directed to Client Service at (800) 869-3326 or you may contact the Legal and Compliance Division at (914) 225-5870 with any account-related concerns.

### Asset Classification

We classify the assets on your statement based on certain general characteristics, such as: income generation, underlying capital structure, or exposure to certain market sectors. Asset classification decisions are often influenced by marketplace conventions and are designed to be informative and provide clients with a particular, non-exclusive, view of their portfolio. As many assets contain characteristics of more than one asset class, the asset classification reflected on this statement may differ from others you may receive. These classifications are not intended to serve as a suitability analysis. Please contact your Financial Advisor for more information.

### Important Information About Auction Rate Securities

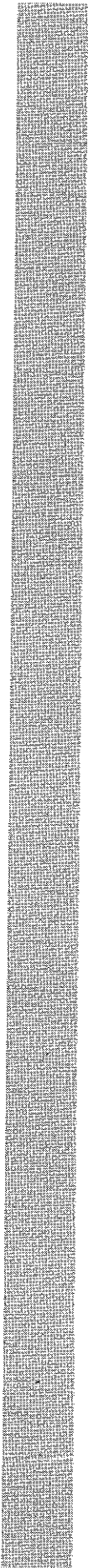
The following message has been added to all client account statements but applies only to holders of Auction Rate Securities. Depending on your current holdings, this message may/may not be applicable to you.

Please note due to recent market conditions, certain Auction Rate Securities are experiencing no or limited liquidity. Therefore, the price(s) for any Auction Rate Securities shown on this statement may not reflect the price(s) you would receive upon a sale at auction or in a secondary market

transaction. There can be no assurance that a successful auction will occur or that a secondary market exists or will develop for a particular security. The prices of any Auction Rate Securities on your statement are derived from various sources, and may differ from prices provided to Morgan Stanley & Co. Incorporated by outside pricing services and/or from Morgan Stanley & Co. Incorporated's own internal bookkeeping valuations. Please contact your Financial Advisor with any questions. To learn more about Auction Rate Securities, including information about the partial redemption allocations process, log on to ClientServ for more details. To enroll in ClientServ, go to [www.morganstanleyclientserv.com/welcome](http://www.morganstanleyclientserv.com/welcome).



MorganStanley  
SmithBarney



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# Morgan Stanley Smith Barney

CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN

CLIENT STATEMENT | For the Period September 1-30, 2009

## Disclosure

### Account Servicing

Account(s) carried with Morgan Stanley & Co. Incorporated ("Morgan Stanley"), member SIPC. New York Stock Exchange Rule 382 requires that Morgan Stanley Smith Barney LLC ("MSSB") and Morgan Stanley allocate between them certain functions regarding the administration of your brokerage account. A more complete description is available upon request.

### Account Valuation

These figures represent the approximate value of your account(s) on a settlement date basis and are computed by adding (1) the market value of all priced positions and (2) market values provided by pricing services and correspondent custodians for other positions, and by adding any credit or subtracting any debit to your closing cash, money market funds and/or deposit balance. Please note, this valuation may be adjusted for the net change in priced asset values for securities held or for the net change in money market balances during the settlement period. Your closing cash, money market fund and/or deposit balance represents the cash, money market funds and/or deposits and reflects the net month end balance. Global Currency Deposits are reflected in U.S. dollars as of the statement end date. The Annual Percentage Yield ("APY") for deposits represents the applicable rate in effect for your deposits at the statement ending date. This APY may be different than the APY that was in effect during the statement period. For current Bank Deposit or Money Market Fund yields, go to <http://www.morganstanleyindividual.com/AccountOptions/ActiveAssets/InvestmentFeatures>

### Additional IRA Information

IRA contributions are subject to IRS eligibility rules and regulations. The "Max. Individual Contributions Allowed (by SSN)" reflects the annual limit on contributions that you as an individual can make to

IRAs (Traditional, Roth, SEP, and SARSEP) under the Internal Revenue Code. The limit applies on a per person basis, not per account. The Contributions information included in this statement reflects contribution information for a particular account, without reference to any other IRA.

You cannot make an individual contribution to a Traditional IRA for the year in which you attain age 70 1/2 or any later year. You should check with your tax advisor to verify how much you can contribute and whether or not the contribution will be tax deductible.

The categorization of any amounts in this statement as Individual Deductible or Individual Non-Deductible is based upon information provided by you, and is included for your convenience. Please contact your Financial Advisor if this information is incorrect. The information included in this statement is not intended to constitute tax, legal or accounting advice.

### Availability of Free Credit Balances and Financial Statements

Under the customer protection rules of the SEC [17 CFR §240.15c3-2 & -3], Morgan Stanley may use free credit balances in your account which are payable to you on demand, in the ordinary course of its business. We provide summary Morgan Stanley financial statements to you semiannually; copies are also available on request, by mail.

### Certain Assets Not Held At Morgan Stanley

You may purchase certain assets through MSSB and/or Morgan Stanley that may be held at a financial institution other than Morgan Stanley. Assets not held at Morgan Stanley may not be covered by SIPC protection. We may include information about these assets on this statement, solely as a service to you and are not responsible for

information (including valuation) derived from you or another external source. Generally, any financial institution that holds securities is responsible for providing taxable year-end reporting (1099s) and separate periodic statements, which may vary from our information due to different tax reporting periods. In the case of Morgan Stanley, Van Kampen and external networked mutual funds, Morgan Stanley performs all year-end tax reporting (1099s). Under certain circumstances, such as IRA accounts, Morgan Stanley performs all tax reporting.

### Errors and Inquiries

If you do not understand an entry on this statement or suspect an error was made, it is essential that you immediately contact the manager of the MSSB office servicing your account and Morgan Stanley. You may contact Morgan Stanley at 212-276-6760. Oral communications with MSSB and/or Morgan Stanley regarding any inaccuracy or discrepancy in this statement should be re-confirmed in writing to further protect your rights, including rights under the Securities Investor Protection Act (SIPA). We will consider your statement to be correct unless we receive a written inquiry from you about the suspected error within 10 calendar days from the day on which you received your statement. It is your responsibility to review your statement promptly and to seek immediate clarification about entries that you do not understand.

### Gain and Loss Information

The gain and loss information is provided for informational purposes only, is not a substitute 1099 form (or any other appropriate tax form), and should not be used for tax preparation. Unrealized gain and loss values are estimates and should be independently verified. We recommend that you contact your tax advisor to determine the appropriate use of this information. Past performance does not guarantee future returns.

### Listed Options

Information with respect to commissions and other charges related to the execution of options transactions has been included in confirmations of such transactions previously furnished to you and such information will be made available to you promptly at your request.

### Margin Interest Charges

Morgan Stanley calculates interest charges on

CONTINUED

Active Assets Account  
# 319-058773-072

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of 16

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## Disclosure (CONTINUED)

margin loans as follows:

- (1) Multiply the applicable margin interest rate by the daily close of business net settled debit balance.  
(2) Divide by 360 (days).

Margin interest accrues daily throughout the month and is added to your debit balance at month-end. The month-end interest charge is the sum of the daily accrued interest calculations for the month. Morgan Stanley adds the accrued interest to your debit balance and starts a new calculation each time the applicable interest rate changes and at the close of every statement month. For current margin loan interest rates, please go to <http://www.morganstanleyindividual.com/customersevice/disclosures/#4>

**Margin Privileges** (not available for certain accounts such as IRAs or retirement accounts)

If you have margin privileges, you may borrow money from Morgan Stanley in exchange for pledging assets in your accounts as collateral for any outstanding margin loan. The amount you may borrow is based on the value of the eligible securities in your margin accounts. If a security has eligible shares the number of shares pledged as collateral will be indicated below the position.

## Money Market Pricing

An investment in a money market fund is neither insured nor guaranteed by the FDIC or any other government agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, there can be no assurance that will occur and it is possible to lose money should the fund value per share fall. Moreover, in some circumstances money market funds may be forced to liquidate operations when the value of a fund drops below \$1.00 per share. In that event, the fund's holdings would be liquidated and distributed to the

## Pricing of Securities

The prices of securities displayed on this statement are derived from various sources and in some cases may be higher or lower than the price that you would actually receive in the market. Although we attempt to use reliable sources of information, we can offer no assurance as to its accuracy.

For securities listed on an exchange or trading continuously in an active marketplace the price reflects the market quotations at the close of your statement period. The prices of securities not actively traded may not be available. These are indicated by N/A (not available). For securities that trade less frequently, we rely on outside pricing services and / or computerized pricing models, which cannot always give us actual market values. Some annuity values provided by outside sponsors are estimates. The amounts on this statement for limited partnerships are typically obtained from a third party or from the general partners unless we have obtained other information such as an independent appraisal. Since many partnership valuations are provided only annually, they do not always represent current values.

## Taxes

Under Federal Income Tax law, Morgan Stanley is required to report the gross proceeds of sales transactions (including entering into short sales) to you on Form 1099-B by February 15 of the year following the calendar year of the transaction. The information reported on your Form 1099-B for the calendar year should be exclusively relied upon for the purpose of filing your tax return for the year.

Under U.S. Internal Revenue Service regulations, if you have not provided us with certification of either U.S. or foreign status on an appropriate Form W-9

## Security Measures

This statement features several embedded security elements to safeguard its authenticity. One is a unique security mark--a blue rectangle printed in heat-sensitive ink on the back side of every page. When exposed to warmth, the blue rectangle will disappear, and then reappear.

## SIPC Protection

Securities and cash held in your MSSB account(s) are protected by a combination of coverage provided by the Securities Investor Protection Corporation (SIPC), a non-profit organization created by an Act of Congress, and additional protection purchased from a private insurer by Morgan Stanley (the Excess Coverage). SIPC protects up to \$500,000 of each client's securities, of which up to \$100,000 may be uninvested cash. SIPC and Excess Coverage apply only to securities and cash in the exclusive possession and control of Morgan Stanley and do not protect against losses due to market fluctuations. Detailed information is available upon request.

## Taxes

Under Federal Income Tax law, Morgan Stanley is required to report the gross proceeds of sales transactions (including entering into short sales) to you on Form 1099-B by February 15 of the year following the calendar year of the transaction. The information reported on your Form 1099-B for the calendar year should be exclusively relied upon for the purpose of filing your tax return for the year.

Under U.S. Internal Revenue Service regulations, if you have not provided us with certification of either U.S. or foreign status on an appropriate Form W-9

obtain a price or estimate, N/A appears. Speak to your Financial Advisor to obtain current information concerning the prices on your statements.

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Under U.S. Internal Revenue Service regulations, if you have not provided us with certification of either U.S. or foreign status on an appropriate Form W-9

## Total Income (This Year/This Period)

Total income as used in, the income summaries, represents dividends and/or interest on securities we receive on your behalf and credit to your account(s) during the calendar year. We report dividend distributions and taxable bond interest credited to your account to the Internal Revenue Service. The totals we report may differ from those indicated as "This Year" figures on the last statement for the calendar year. In the case of Real Estate Investment Trusts (REITs), Master Limited Partnerships, Regulated Investment Companies and Unit Investment Trusts, some sponsors may reclassify the distribution to a different tax type for year-end reporting (1099).

### Transaction Dates and Transaction Conditions

All transactions list transaction date and settlement date. Transactions are included on this statement based on settlement date. In the case of unsettled trades, we list the trade based on trade date instead of the settlement date with a notation that the trade is unsettled. Unsettled trades will not be reflected in position and cash balances.

Upon written request, MSSB will furnish the date and time of a transaction and the name of the other party to a transaction.

MSSB and/or its affiliates may accept benefits that constitute payment for order flow. Details regarding these benefits and the source and amount of any other remuneration received or to be received by us in connection with any transaction will be furnished upon written request.

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**A**LGMCGXQBMMK  
**A**ELCHGAPBMFK

# MorganStanley SmithBarney

CLIENT STATEMENT | For the Period September 1-30, 2010

#BWNJGWM

CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN  
PO BOX 72  
ELEPHANT BUTTE NM 87935-0072

TOTAL VALUE LAST PERIOD (as of 8/31/10)	\$337,076.41
NET CONTRIBUTIONS/WITHDRAWALS	—
CHANGE IN VALUE (Incl. Sept. Accr. Int.)	7,966.09
<b>TOTAL VALUE OF YOUR ACCOUNT</b> (as of 9/30/10)	<b>\$345,042.50</b>

## Your Branch

8300 NORMAN CENTER DR. STE 1150  
BLOOMINGTON, MN 55437  
Telephone: 952-921-1900  
Alt. Phone: 800-927-1990  
Fax: 952-921-1944

**Your Financial Advisor Team**  
The Johnson ~ Halabrin Group  
952-841-6450

## Your Financial Advisors

Mark Johnson  
Judith Halabrin  
William Barton McNabb  
Debbie McKinney  
Ann Johnson

## Client Interaction Center

800-869-3326  
24 Hours a Day, 7 Days a Week

## Access your accounts online

[www.morganstanley.com/online](http://www.morganstanley.com/online)

Morgan Stanley Smith Barney LLC. Member SIPC.

# Morgan Stanley Smith Barney

CLIENT STATEMENT | For the Period September 1-30, 2010

## Account Summary

Active Assets Account  
332-108475-332

CLIFFORD KRAUS &  
SUSANNE K KRAUS-JT TEN

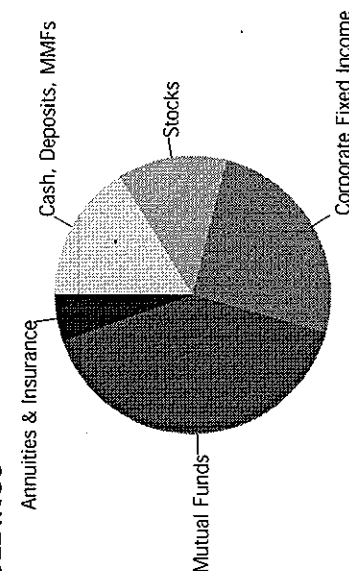
Brokerage Account  
Householding Anniversary Date: 10/25/02  
Investment Objectives<sup>1</sup>: Income, Capital Appreciation

### CHANGE IN VALUE OF YOUR ACCOUNTS

	This Year (1/1/10-9/30/10)	This Period (9/1/10-9/30/10)
<b>Total Beginning Value</b>	<b>\$347,898.68</b>	<b>\$337,076.41</b>
Contributions	—	—
Withdrawals	(21,000.00)	—
Security Transfers	—	—
<b>Net Contributions/Withdrawals</b>	<b>\$(21,000.00)</b>	<b>—</b>
Accrued Interest - Sept. Adjustment	1,054.15	1,054.15
Change in Value	17,089.67	6,911.94
<b>Total Ending Value (includes accrued interest)</b>	<b>\$345,042.50</b>	<b>\$345,042.50</b>

This exhibit may not include transactions for investments in Annuities or where Morgan Stanley Smith Barney is not the custodian. This may affect the reported Net Invested Capital. If we are not the custodian there may also be a delay in the reporting of your Market Value. Please speak to your Financial Advisor if you have any questions. **Please see the Messages section for important changes this month regarding accrued interest.** <sup>1</sup> See the Disclosures section of your statement for more information about investment objectives. Please review for accuracy and inform us if your investment objectives change.

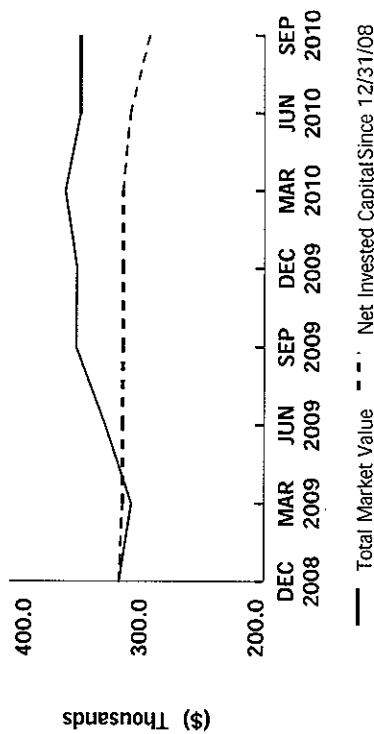
### ALLOCATION OF HOLDINGS



We classify assets based on general characteristics such as: income generation, underlying capital structure, or exposure to certain market sectors. As many assets contain characteristics of more than one asset class, this asset classification may differ from others you may receive. These classifications are not intended to serve as a suitability analysis. \* Bank Deposits are eligible for FDIC insurance; FDIC rules apply and deposits are not SIPC insured. Cash and securities (including Money Market Funds) are eligible for SIPC coverage. Please see disclosures at end of the statement(s). ^ Includes Accrued Interest

### CHANGE IN VALUE OVER TIME

This graph compares the total value of your account to the net amount invested. Net investment is the total amount invested minus the total amount withdrawn.



	Market Value	Percentage %
Cash, Deposits, MMFs*	\$55,638.96	16.1
Stocks	44,334.45	12.8
Corporate Fixed Income ^	87,559.52	25.4
Mutual Funds	138,387.52	40.1
Annuities & Insurance	19,122.05	5.5
<b>TOTAL VALUE ^</b>	<b>\$345,042.50</b>	<b>100.0%</b>

# MorganStanley SmithBarney

CLIENT STATEMENT | For the Period September 1-30, 2010

## Account Summary

Active Assets Account 332-108475-332  
CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN

### BALANCE SHEET

	Last Period (as of 8/31/10)	This Period (as of 9/30/10)
<b>TOTAL VALUE (incl. accr. int.)</b>	<b>\$337,076.41</b>	<b>\$345,042.50</b>
<b>ASSETS</b>	<b>\$337,076.41</b>	<b>\$345,042.50</b>
Cash, Deposits, MMFs	45,829.82	55,638.96
Stocks	41,199.00	44,334.45
Municipal Bonds	—	—
Corporate Fixed Income ^	85,460.51	87,559.52
Government Securities	—	—
Certificates of Deposit	9,003.96	—
Mutual Funds	137,810.92	138,387.52
Unit Investment Trusts	—	—
Annuities & Insurance	17,772.20	19,122.05
Other	—	—

### LIABILITIES (Outstanding Balance)

There are no liabilities for this account.

^ Includes Accrued Interest

### CASH FLOW

	This Year (1/1/10-9/30/10)	This Period (9/1/10-9/30/10)
<b>OPENING CASH BALANCE</b>	<b>\$50,972.34</b>	<b>\$45,829.82</b>
<b>NET CREDITS/DEBITS</b>	<b>\$(21,000.00)</b>	<b>—</b>
<b>CREDITS</b>	<b>—</b>	<b>—</b>
Checks Deposited	—	—
Electronic Transfers	—	—
Other Credits	—	—
<b>DEBITS</b>	<b>\$(21,000.00)</b>	<b>—</b>
World Card	—	—
ATM/Cash Advances	—	—
Checks Written	(21,000.00)	—
Automated Payments	—	—
Electronic Transfers	—	—
Interest Charged	—	—
Tax Withholdings	—	—
Other Debits	—	—
<b>NET CASH FROM INVESTMENTS</b>	<b>\$25,666.62</b>	<b>\$9,809.14</b>
Income	8,708.09	1,385.74
Dividend Reinvestments	(5,121.16)	(576.60)
Purchases	(73,765.46)	—
Sales/Redemptions	95,845.15	9,000.00
<b>CLOSING CASH BALANCE</b>	<b>\$55,638.96</b>	<b>\$55,638.96</b>

MorganStanley  
SmithBarney

CLIENT STATEMENT | For the Period September 1-30, 2010

Account Summary

Active Assets Account  
332-108475-332

CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN

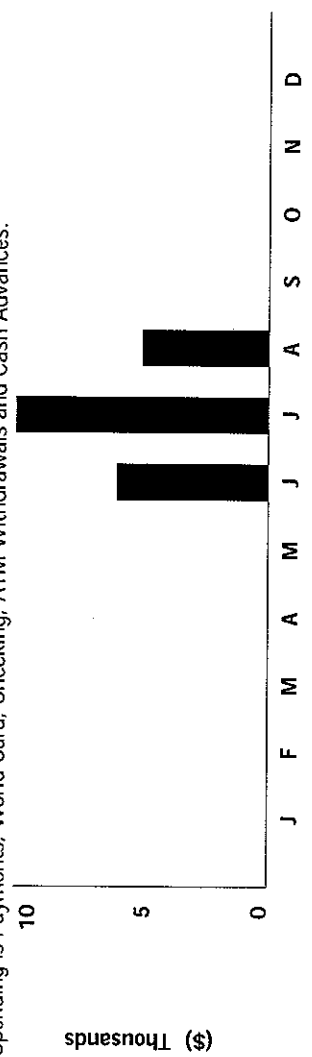
INCOME SUMMARY

	This Year (1/1/10-9/30/10)	This Period (9/1/10-9/30/10)
<b>TOTAL INCOME</b>	<b>\$8,148.28</b>	<b>\$1,385.74</b>
<b>TAXABLE INCOME</b>	<b>3,469.77</b>	<b>809.14</b>
Dividends	139.50	46.50
Capital Gain Distributions	—	—
Interest	3,330.27	762.64
Other Income	—	—
<b>TAX-EXEMPT INCOME</b>	<b>4,678.51</b>	<b>576.60</b>
Dividends	4,561.35	576.60
Interest	117.16	—

Taxable and tax exempt income classifications are based on the characteristics of the underlying securities and not the taxable status of the account.

TOTAL SPENDING BY MONTH, YEAR TO DATE

Spending is Payments, World Card, Checking, ATM Withdrawals and Cash Advances.



GAIN/(LOSS) SUMMARY

This Year (1/1/10-9/30/10)	Short-Term	Long-Term
<b>NET REALIZED</b>	<b>\$845.15</b>	<b>—</b>
Gain	845.15	—
(Loss)	—	—
<b>This Period (9/1/10-9/30/10)</b>	<b>Short-Term</b>	<b>Long-Term</b>
<b>NET REALIZED</b>	<b>—</b>	<b>—</b>
Gain	—	—
(Loss)	—	—
<b>NET UNREALIZED (9/30/10)</b>	<b>\$2,737.60</b>	<b>\$(40,471.64)</b>
Gain	2,988.10	1,070.14
(Loss)	(250.50)	(41,541.78)

Gain / loss and income information are provided for informational purposes only and should not be used for tax preparation. Gain / loss summary information may change due to basis adjustments.  
Please refer to the gain / loss section of the disclosures for additional information.

WORLD CARD REWARDS SUMMARY

	Reward Points
<b>BEGINNING BALANCE</b>	<b>—</b>
<b>TOTAL POINTS EARNED</b>	<b>—</b>
World Card Spend	—
Other Point Activity	—
Bonus Points	—
Other Adjustments	—
<b>TOTAL POINTS REDEEMED</b>	<b>—</b>
<b>ENDING BALANCE</b>	<b>—</b>

# MorganStanley SmithBarney

CLIENT STATEMENT | For the Period September 1-30, 2010

## Account Summary

Active Assets Account  
332-108475-332  
CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN

### ADDITIONAL ACCOUNT INFORMATION

Category	This Year (1/1/10-9/30/10)	This Period (9/1/10-9/30/10)
Accrued Interest Paid	\$416.71	—



## CLIENT STATEMENT | For the Period September 1-30, 2010

MorganStanley  
SmithBarney

## Holdings

Active Assets Account CLIFFORD KRAUS &  
332-108475-332 SUSANNE K KRAUS JT TEN

The "Market Value" and "Unrealized Gain/(Loss)" figures shown are representative values as of the last business day of the period shown above which may not reflect the value that could actually be obtained in the market. See "Pricing of Securities" in the Disclosures section at the end of this statement.

Estimated annual income and estimated yield for certain securities can include return of principal or capital gains which could overstate such estimates. Estimated yield and estimated annual income are estimates and the actual income or yield may be lower or higher than the estimates. Estimated yield reflects only the income generated by an investment. It does not reflect changes in its price, which may fluctuate. If you hold structured products, please refer to the Special Considerations Regarding Structured Products section of the Disclosure section.

Gain/loss information is provided for informational purposes only and should not be used for tax preparation. Please refer to the gain/loss section of the disclosures for important information about gain/loss reporting.

From January through September, realized gain/loss information will be shown only for trades settling in the current month, and/or certain adjustments (to previously closed lots) made in the current month. From October through December, in order to provide information for year-end investment planning, complete year to date realized gain/loss detail will be displayed for trades settling through the last business day of the year.

## CASH, DEPOSITS AND MONEY MARKET FUNDS

Description	Value	Estimated Annual Income	7-Day Current Yield %	Annual Percentage Yield %
CASH	\$9,099.00			
MORGAN STANLEY BANK N.A. #	46,539.96	14.00	—	0.030
				Estimated Annual Income
				Accrued Interest
				\$14.00
				\$0.00

## CASH, DEPOSITS AND MONEY MARKET FUNDS

# Bank deposits are at Morgan Stanley Bank, N.A. and Morgan Stanley Private Bank, National Association (Members FDIC), affiliates of Morgan Stanley Smith Barney. Cash holdings shown exclude cash holdings in custody at another firm for which you receive a separate statement.

## STOCKS

## COMMON STOCKS

Morgan Stanley & Co. Incorporated (Morgan Stanley), Citi Investment Research & Analysis (CIRA), and Standard & Poor's research ratings may be shown for certain securities. All research ratings represent the "opinions" of the research provider and are not representations or guarantees of performance. Because the research report contains more complete information regarding the analyst's opinions, analysis, and rating, you should read the entire research report and not infer its contents from the rating. Where a particular company is covered by both Morgan Stanley and CIRA, you can and should view both research reports. Morgan Stanley and CIRA research reports may contain different or conflicting information about the subject companies of such research reports because they are prepared separately from each other. For ease of comparison, Morgan Stanley and Standard & Poor's research ratings have been normalized to a 1 (Buy), 2 (Hold), and 3 (Sell). Please refer to the end of this statement for a summary guide describing CIRA, Morgan Stanley and Standard & Poor's ratings. Morgan Stanley Smith Barney is not the author of, does not take responsibility for, and does not guarantee the accuracy, completeness, or timeliness of research prepared for Standard & Poor's.

Security Description	Trade Date	Quantity	Unit Cost	Total Cost	Market Value	Unrealized Gain/(Loss)	Estimated Annual Income	Dividend Yield %
JUMP SEC. ON ISHARES MSCI BRAZ IL (EWZ) DUE 4/24/2012 BY MS (SPGAQ)	4/26/10	1,500,000	\$10.000	\$15,000.00	\$15,247.50	\$247.50 ST	—	—
Share Price: \$10.165								
SPROTT PHYSICAL GOLD TRUST (PHYS)	2/25/10	500,000	10.000	5,000.00	5,730.00	730.00 ST	—	—
Share Price: \$11.460								

CONTINUED

# Morgan Stanley Smith Barney

CLIENT STATEMENT | For the Period September 1-30, 2010

Active Assets Account  
332-108475-332  
CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN

## Holdings

### STOCKS

#### COMMON STOCKS (CONTINUED)

Security Description	Trade Date	Quantity	Unit Cost	Total Cost	Market Value	Unrealized Gain/(Loss)	Estimated Annual Income	Dividend Yield %
WELLS FARGO & CO NEW (WFC)	—	930.000	—	Please Provide	23,356.95	N/A	186.00	0.79
Share Price: \$25.115; Rating: Morgan Stanley: 1, Citigroup: 2H, S&P: 1; Next Dividend Payable 12/10								

Percentage of Assets %	Unrealized Gain/(Loss)	Estimated Annual Income	Yield %
12.8%	\$0.00 LT	\$186.00	0.42%
	\$977.50 ST	\$0.00	

### STOCKS

#### CORPORATE FIXED INCOME

#### CORPORATE BONDS

Security Description	Trade Date	Face Value	Orig. Unit Cost Adj.	Orig. Total Cost Adj.	Market Value	Unrealized Gain/(Loss)	Estimated Annual Income	Yield %
LEHMAN BROTHERS HOLDINGS	6/23/08	16,000.000	\$98.408	\$15,745.25				
CUSIP 52517PA35			\$98.408	\$15,745.25				
Unit Price: \$22.125; Coupon Rate 4.500%; Matures 07/26/10; Int. Semi-Annually Jan/Jul 26; In Default; Issued 07/13/05								
GENERAL ELECTRIC CAPITAL CORP	6/30/09	15,000.000	106.263	15,939.45				
CUSIP 36962GXS8			103.360	15,503.96				
Unit Price: \$106.584; Coupon Rate 5.875%; Matures 02/15/12; Int. Semi-Annually Feb/Aug 15; Yield to Maturity 1.039%; Moody A42 S&P AA+; Issued 02/15/02								
WELLS FARGO FINANCIAL	6/30/09	16,000.000	105.671	16,907.33				
CUSIP 94975CAJ6			103.226	16,516.22				
Unit Price: \$106.892; Coupon Rate 6.125%; Matures 04/18/12; Int. Semi-Annually Apr/Oct 18; Yield to Maturity 1.605%; Moody A1 S&P AA-; Issued 04/18/02								
CITIZENS COMMUNICATIONS	4/20/10	20,000.000	100.530	20,106.00				
CUSIP 17453BAT8			100.489	20,097.76				
Unit Price: \$103.250; Coupon Rate 6.625%; Matures 03/15/15; Int. Semi-Annually Mar/Sep 15; Yield to Maturity 5.787%; Moody BA2 S&P BB; Issued 03/23/07								
GENERAL MOTORS ACCEPTANCE	2/17/10	15,000.000	88.285	13,242.75				
CORP/STEP/UP 05/15/07 06.85%			88.285	13,242.75				
CUSIP 3704AOKK7								
Unit Price: \$96.260; Coupon Rate 6.850%; Matures 05/15/16; Int. Semi-Annually May/Nov 15; Callable \$100.00 on 11/15/10; Yield to Maturity 7.679%; Moody B3 S&P B; Issued 05/04/04								
15NC1Y STEP UP CALLABLE DUE 8/31/2025 8/26/10		15,000.000	100.000	15,000.00				
BY MS			100.000	15,000.00				
CUSIP 61745E5Q0								
Unit Price: \$98.330; Coupon Rate 5.000%; Matures 08/31/25; Int. Semi-Annually Feb/Aug 31; Callable \$100.00 on 08/31/11; Yield to Maturity 5.162%; First Coupon 02/28/11; Stepped; Moody A2 S&P A; Issued 08/31/10								

**Morgan Stanley  
Smith Barney**

**CLIENT STATEMENT** | For the Period September 1-30, 2010

# Holdings

Active Assets Account      CLIFFORD KRAUS &  
332-108475-332      SUSANNE K KRAUS JT TEN

CORPORATE BONDS				
	\$96,940.78			
	\$96,105.94	\$86,468.82	\$(11,135.11) LT	
			\$1,497.99 ST	
				\$4,963.75
				\$1,054.15
				5.74%

CORPORATE FIXED INCOME  
FIXED-RATE CAPITAL SECURITIES

Security Description	Trade Date	Face Value	Orig. Unit Cost Adj. Unit Cost	Orig. Total Cost Adj. Total Cost	Market Value	Unrealized Gain/(Loss)	Estimated Annual Income Accrued Interest	Yield %
<b>LEHMAN CAPITAL TRUST IV</b>	6/23/08	100.000	\$16.892	\$1,689.22				
CUSIP 52520B206	6/23/08	750.000	\$16.892	\$1,689.22	\$4.30	\$(1,684.92) LT		
			16.899	12,674.42				
			16.899	12,674.42	32.25	(12,642.17) LT		
<b>Total</b>		850.000		14,363.64				
				14,363.64	<b>36.55</b>	(14,327.09) LT		

Unit Price: \$0.043; Coupon Rate 6.375%; Matures 10/31/52; Interest Paid at Maturity; Callable \$25.00 on 10/31/10; Moody W/R

Unit Price: \$0.043; Coupon Rate 6.375%; Matures 10/31/52; Interest Paid at Maturity; Callable \$25.00 on 10/31/10; Moody W/R

## CORPORATE FIXED INCOME

	Percentage of Assets %	Orig. Total Cost Adj. Total Cost	Market Value	Unrealized Gain/(Loss)	Estimated Annual Income Accrued Interest	Yield %
CORPORATE FIXED INCOME		\$111,304.42			\$4,963.75	5.74%
		\$110,469.58	\$86,505.37	\$(25,462.20) LT	\$1,054.15	
TOTAL CORPORATE FIXED INCOME	25.4%		\$87,559.52	\$1,497.99 ST		

TOTAL CORPORATE FIXED INCOME  
(incl.accr.int.)

## MUTUAL FUNDS

## OTHER MUTUAL FUNDS

Security Description	Trade Date	Quantity	Unit Cost	Total Cost	Market Value	Unrealized Gain/(Loss)	Estimated Annual Income	Dividend Yield %
INVESCO VK HIGH YIELD MUNI C (ACTFX)	9/28/04	943.396	\$10.600	\$10,000.00	\$9,084.90	\$(915.10) LT		
	1/24/05	762.791	10.750	8,200.00	7,345.67	(854.33) LT		
	3/21/05	2,515.820	10.732	27,000.00	24,227.34	(2,772.66) LT		
	6/21/05	1,135.050	10.925	12,400.00	10,930.53	(1,469.47) LT		
	9/28/05	2,297.312	10.882	25,000.00	22,123.11	(2,876.89) LT		
	12/18/06	3,567.774	11.211	40,000.00	34,357.66	(5,642.34) LT		

CONTINUED

# Morgan Stanley Smith Barney

CLIENT STATEMENT | For the Period September 1-30, 2010

## Holdings

Active Assets Account  
332-108475-332  
CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN

### MUTUAL FUNDS

#### OTHER MUTUAL FUNDS (CONTINUED)

Security Description	Trade Date	Quantity	Unit Cost	Total Cost	Market Value	Unrealized Gain/(Loss)	Estimated Annual Income	Dividend Yield %
Purchases		11,222.143		122,600.00	108,069.21	(14,530.79) LT		
Long Term Reinvestments		2,411.812		23,704.39	23,225.74	(478.65) LT		
Short Term Reinvestments		736.504		6,830.42	7,092.53	262.11 ST		
<b>Total</b>		14,370.459		153,134.81	138,387.52	(15,009.44) LT	6,948.00	5.02
Market Value vs Total Purchases + Net Value Increase/(Decrease)				122,600.00	138,387.52	262.11 ST		
Share Price: \$9.630; Enrolled In Ms Dividend Reinvestment; Capital Gains Reinvest					15,787.52			

MUTUAL FUNDS	Percentage of Assets %	Total Cost	Market Value	Unrealized Gain/(Loss)	Estimated Annual Income	Yield %
	40.1%	\$153,134.81	\$138,387.52	\$(15,009.44) LT	\$6,948.00	5.02%
				\$262.11 ST	\$0.00	

Transactions in mutual fund positions held directly at the Fund Company are not included in the total above and are not reflected on the Summary Page.  
For more information about the pricing of Money Market Funds, please see the Disclosures section of the statement.

+ Net Value Increase/(Decrease) compares your Total Purchases (excluding Dividend Reinvestments) with the Market Value of all shares you hold of the fund. This calculation is for informational purposes only, does not reflect your total unrealized gain or loss and should not be used for tax purposes.

### ANNUITIES & INSURANCE

#### VARIABLE RATE ANNUITIES

Security Description	Inception Date	Fund Name	Net Contributions and Withdrawals	Value	Valuation Date	Fixed Rate %	Renewal Date
EQUITABLE LIFE	9/18/07				9/29/10		
AXA EQUITABLE - ELITE 07			\$29,957.06	\$19,122.05			
		EQ/ALLIBERN INTERNATIONAL		4,879.21			
		EQ/ALLIBERN SMALL CAP GRO		2,176.29			
		EQ/MID CAP VALUE PLUS		2,049.26			
		EQ/EQUITY GROWTH PLUS		4,118.85			
		EQ/LORD ABBETT GRWTH IN		5,898.44			

Policy # 307736840

# MorganStanley SmithBarney

CLIENT STATEMENT | For the Period September 1-30, 2010

## Holdings

Active Assets Account  
332-108475-332  
CLIFFORD KRAUS &  
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ANNUITIES & INSURANCE	Percentage of Assets %	Market Value
	5.5%	\$19,122.05

Insurance and annuity products and values are displayed for informational purposes only. Values reflect in force annuities purchased or serviced through Morgan Stanley Smith Barney as of date shown as reported by the Insurance carrier. Amounts shown may be subject to surrender and other contract charges. Net Contributions and Withdrawals is defined as either the original purchase price plus additions minus withdrawals or principal withdrawals.

Display of insurance or annuity products on the Morgan Stanley Smith Barney account statement does not confer or imply ownership or beneficial interest on the part of the Morgan Stanley Smith Barney account holder. All ownership, rights, benefits and payments are controlled by the contract between the insurance company and the contract owner as shown on your policy copy.

Annuitized information as provided by the insurance carrier reflects the value of the last payment made as per your instructions and does not imply that the funds were re-deposited into a Morgan Stanley Smith Barney account and are provided for informational purposes only. Surrendered or annuitized policies will not appear as assets on this statement.

	Percentage of Assets %	Total Cost	Market Value	Unrealized Gain/(Loss)	Estimated Annual Income Accrued Interest	Yield %
TOTAL MARKET VALUE	100.0%	\$283,604.39	\$343,988.35	\$(40,471.64) LT	\$12,111.75	3.51%
				\$2,737.60 ST	\$1,054.15	

TOTAL VALUE (includes accrued interest)

\$345,042.50

Unrealized Gain/Loss Totals only reflect positions that have cost basis information available. Cash, MMF, Deposits and positions stating 'Please Provide' are not included.

MorganStanley  
SmithBarney

CLIENT STATEMENT | For the Period September 1-30, 2010

Activity

Active Assets Account  
332-108475-332

CLIFFORD KRAUS &  
SUSANNE K KRAUS JT TEN

CASH FLOW ACTIVITY BY DATE

Transaction Settlement		Date	Activity Type	Description	Comments	Quantity	Price	Credits/(Debits)
Date								
8/31		8/31	Tax Exempt Dividend	INVESCO VK HIGH YIELD MUNI C DIV PAYMENT				\$576.60
8/31		8/31	Dividend Reinvestment	INVESCO VK HIGH YIELD MUNI C	REINVESTMENT	59.875	9.6300	(576.60)
9/1		9/1	Dividend	WELLS FARGO & CO NEW				46.50
9/15		9/15	Interest Income	CITIZENS COMM 6625 15MH15				662.50
9/29		9/29	Interest Income	MORGAN STANLEY BANK N.A. (Period 08/31-09/29)				1.14
9/30		9/30	Interest Income	BANCO POPULAR 1100 10SP30				99.00
9/30		9/30	Redemption	BANCO POPULAR 1100 10SP30	REDEMPTION OF MATURED BOND	9,000.000		9,000.00
NET CREDITS/(DEBITS)								\$9,809.14

Purchase and Sale transactions above may have received an average price execution. Details regarding the actual prices are available upon request.

MONEY MARKET FUND (MMF) AND BANK DEPOSITS ACTIVITY

Date	Activity Type	Description	Credits/(Debits)	
9/2	Automatic Investment	BANK DEPOSIT PROGRAM	\$46.50	
9/16	Automatic Investment	BANK DEPOSIT PROGRAM	662.50	
9/29	Automatic Investment	BANK DEPOSIT PROGRAM	1.14	
NET ACTIVITY FOR PERIOD			\$710.14	

REALIZED GAIN/(LOSS) DETAIL

SHORT-TERM

Security Description	1.100 9-30-10	Date		Quantity	Sales Proceeds	Orig / Adj Total Cost	Realized Gain/(Loss)	Comments
		Acquired	Sold					
BANCO POPULAR		09/28/09	09/30/10	9,000.000	\$9,000.00	\$9,000.00	\$0.00	
Short-Term This Period					\$9,000.00	\$9,000.00	\$0.00	
Short-Term Year to Date					\$14,845.15	\$14,000.00	\$845.15	

# MorganStanley SmithBarney

CLIENT STATEMENT | For the Period September 1-30, 2010

## Activity

Active Assets Account: CLIFFORD KRAUS &  
332-108475-332 SUSANNE K KRAUS JT TEN

	Sales Proceeds	Orig / Adj Total Cost	Realized Gain/(Loss)
Net Realized Gain/(Loss) This Period	\$9,000.00	\$9,000.00	\$0.00
Net Realized Gain/(Loss) Year to Date	\$95,845.15	\$95,000.00	\$845.15

Gain/loss information is provided for informational purposes only and should not be used for tax preparation. Please refer to the gain/loss section of the disclosures for important information about gain/loss reporting.  
From January through September, realized gain/loss information will be shown only for trades settling in the current month, and/or certain adjustments (to previously closed lots) made in the current month. From October through December, in order to provide information for year-end investment planning, complete year to date realized gain/loss detail will be displayed for trades settling through the last business day of the year.

# Morgan Stanley Smith Barney

CLIENT STATEMENT | For the Period September 1-30, 2010

Active Assets Account  
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CLIFFORD KRAUS &  
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## Messages

### Consolidated Statement of Financial Condition (in thousands of dollars):

At June 30, 2010 Morgan Stanley Smith Barney LLC had net capital of \$1,244,800 which exceeded the Securities and Exchange Commission's minimum requirement by \$1,204,893.

A copy of the Morgan Stanley Smith Barney LLC Consolidated Statement of Financial Condition at June 30, 2010 can be viewed online at: [http://www.morganstanley.com/about/ir/shareholder/morganstanley\\_smithbarney\\_llc.pdf](http://www.morganstanley.com/about/ir/shareholder/morganstanley_smithbarney_llc.pdf) or may be mailed to you at no cost by calling (866) 825-1675, after September 13, 2010.

### Important Message for Holders of Fixed Income Securities (and Global Currency time deposits):

Starting with this month's statement, we have added the accrued interest on fixed income securities to your Total Account Value. As a result, you may notice an increase in the "Total Market Value" line of the "Change in Value Over Time" graph. This increase represents the initial inclusion of this amount, and will also be displayed as a line item titled "Accrued Interest - Sept. Adjustment" in the "Change in Value of Your Accounts" table. For more detail, please refer to the enclosed "FYI" brochure.

### Important Update Regarding Morgan Stanley Rewards

We will be extending our participation in Morgan Stanley Rewards beyond October 29, 2010. Any future changes or updates to our rewards program will be provided in subsequent communications. Please call the number on the back of your card or your Financial Advisor for any additional questions. Thank you.

### Important Information if you are a Margin Customer

If you have a margin account with us, as permitted

by law we may use certain securities in your account for, among other things, settling short sales and lending the securities for short sales, and as a result may receive compensation in connection therewith.

### Important Information Regarding the Bank Deposit Program

Effective July 1, 2010, Morgan Stanley Trust converted from a federal savings bank to a national bank and changed its name to Morgan Stanley Private Bank, National Association (the "Bank"). The Bank participates in the Bank Deposit Program (the "Program") and this conversion has no impact on the terms, conditions or features of the Program. If the Program is the cash sweep investment for your account, you will see the new name of the Bank reflected on your statement to the extent any funds are swept there. For more information about the Program, please visit <http://www.morganstanleyindividual.com/accounts/plans/activeassets>.

### Questions?

Questions regarding your account may be directed to either your Financial Advisor or the Branch Manager for the branch office where you maintain your account. If you require further assistance, your inquiries may also be directed to Client Service at (800) 869-3326 or you may contact the Legal and Compliance Division at (914) 225-5870 with any account-related concerns.

### Important Information About Auction Rate Securities

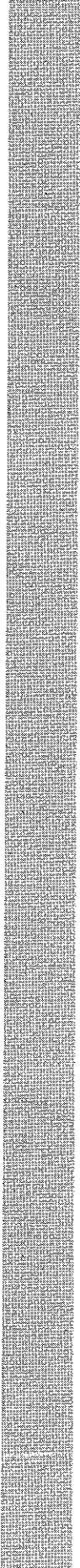
The following message has been added to all client account statements but applies only to holders of Auction Rate Securities. Depending on your current holdings, this message may/may not be applicable to you.

Due to market conditions, certain Auction Rate Securities are experiencing no or limited liquidity. Therefore, the price(s) for any Auction Rate

Securities shown on this statement may not reflect the price(s) you would receive upon a sale at auction or in a secondary market transaction, and are not an indication of any offer to purchase at such price. There can be no assurance that a successful auction will occur or that a secondary market exists or will develop for a particular security. The prices of any Auction Rate Securities on your statement in most cases reflect par value, but may be derived from various sources. These prices may differ from: prices provided to us or our affiliates by outside pricing services; or our affiliates' own internal bookkeeping valuations; prices of transactions executed in any secondary market that exists or may develop; and/or the prices at which issuer repurchases or redemptions may occur. Please contact your Financial Advisor with any questions. To learn more about Auction Rate Securities, including information about the partial redemption allocations process, log on to ClientServ for more details. To enroll in ClientServ, go to [www.morganstanleyclientserv.com/welcome](http://www.morganstanleyclientserv.com/welcome).



MorganStanley  
SmithBarney



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# Morgan Stanley Smith Barney

CLIENT STATEMENT | For the Period September 1-30, 2010

## Research Ratings Definitions

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### GUIDE TO MORGAN STANLEY & CO.

**INCORPORATED (MORGAN STANLEY), CITI INVESTMENT RESEARCH & ANALYSIS (CIRA) AND STANDARD & POOR'S RESEARCH RATINGS**

### MORGAN STANLEY RESEARCH RATINGS

Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks they cover. Morgan Stanley's ratings, Overweight, Equal-weight, Not-Rated and Underweight, are not the equivalent of Buy, Hold, and Sell, but represent recommended relative weightings. To satisfy regulatory requirements, Morgan Stanley corresponds Overweight, their most positive stock rating, to a Buy recommendation, they correspond Equal-weight and Not-Rated to Hold recommendations, and Underweight to Sell recommendations, respectively. For ease of comparison, Morgan Stanley Smith Barney has normalized these ratings so that 1 corresponds to Buy recommendations; 2 corresponds to Not-Rated and Hold recommendations, and 3 corresponds to Sell recommendations. Please refer to a Morgan Stanley research report for a complete description of Morgan Stanley's rating system and Morgan Stanley's actual proprietary rating on any covered company. Morgan Stanley's ratings are described below:

### MSRB NORMALIZED CODE / MORGAN STANLEY RATING: DEFINITION

- 1 / Overweight (O):** The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months
- 2 / Equal-weight (E):** The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months
- 2 / Not-Rated (NR):** Currently the analyst does not

have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months

- 3 / Underweight (U):** The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months

**NAV, NA or \*\* appearing for Morgan Stanley Research indicates that the ratings for this company are not available because of a Morgan Stanley policy.**

### CIRA - COMMON STOCK IN DEVELOPED MARKETS

#### STOCK RATINGS

Investment ratings are based upon CIRA's expectation of total return (forecast price appreciation plus dividend yield within the next 12 months) and risk rating

**Developed Markets (US, UK, Europe, Japan, and Australia/New Zealand)**

### CODE / CIRA RATING: EXPECTED TOTAL RETURN

- 1 / BUY:** 10% or more for Low-Risk stocks, 15% or more for Medium-Risk stocks, 20% or more for High-Risk stocks, and 35% or more for Speculative stocks
- 2 / HOLD:** 0-10% for Low-Risk stocks, 0-15% for Medium-Risk stocks, 0-20% for High-Risk stocks, and 0-35% for Speculative Stocks
- 3 / SELL:** Negative total return

#### STOCK RISK

Takes into account price volatility and a select list of fundamental criteria.

### CODE / CIRA RATING: DEFINITIONS

- L / Low:** High predictability of financial results and

low volatility

**M / Medium:** Moderate predictability of financial results

**H / High:** Low predictability of financial results and high volatility

**S / Speculative:** Exceptionally low financial predictability, highest risk and volatility

### CIRA - COMMON STOCK IN EMERGING MARKETS

#### STOCK RATINGS

Investment ratings are based upon CIRA's expectation of total return (forecast price appreciation plus dividend yield within the next 12 months) and risk rating.

**Emerging Markets (Asia Pacific, Emerging Europe/Middle East/Africa, and Latin America)**

### CODE / CIRA RATING: EXPECTED TOTAL RETURN

- 1 / BUY:** 15% or more for Low-Risk stocks, 20% or more for Medium-Risk stocks, 30% or more for High-Risk stocks, and 40% or more for Speculative stocks
- 2 / HOLD:** 5-15% for Low-Risk stocks, 10-20% for Medium-Risk stocks, 15-30% for High-Risk stocks, and 20-40% for Speculative stocks
- 3 / SELL:** 5% or less for Low-Risk stocks, 10% or less for Medium-Risk stocks, 15% for High-Risk stocks, and 20% or less for Speculative stocks

### CIRA GUIDE TO INVESTMENT RATINGS - CLOSED END FUNDS

#### CLOSED-END FUND RATINGS

Investment ratings are a function of CIRA's expectation of the fund's total return relative to its peer group, and the ability to provide stable to rising dividends, where applicable.

### CODE / CIRA RATING: EXPECTED TOTAL RETURN

**1 / Outperform:** Expected to outperform its peer group of closed-end funds, and/or the fund is expected to provide stable to rising dividends, where applicable

**2 / In-Line:** Expected to perform in line with its peer group of closed-end funds, and/or the fund is expected to provide stable dividends, where applicable

**3 / Underperform:** Expected to underperform its peer group of closed-end funds, and/or the fund is expected to provide a declining dividend, where applicable

#### CLOSED-END FUND RISK

Takes into account the quality and liquidity of the underlying securities, financial leverage and foreign currency exposure.

### CODE / CIRA RATING: DEFINITIONS

**L / Low:** The fund invests in high quality, liquid securities with little to no financial leverage or foreign currency exposure

**M / Medium:** Overall, the fund invests in moderate to high quality, liquid securities with reasonable financial leverage and provides primarily United States Dollar currency exposure

**H / High:** The fund may invest in low quality, less-liquid securities, have exposure to foreign currencies and above average degrees of financial leverage

**S / Speculative:** The fund invests in low grade, illiquid and/or highly volatile securities, have exposure to foreign currency and may also use high degrees of financial leverage

### STANDARD & POOR'S RESEARCH RATINGS

For ease of comparison, Morgan Stanley Smith Barney has normalized Standard & Poor's proprietary research ratings to a 1 (Buy), 2 (Hold), and 3 (Sell), which differs from Standard & Poor's rating system. Please refer to a Standard & Poor's research report for a complete description of Standard & Poor's rating system and Standard &

CONTINUED

MorganStanley  
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CLIENT STATEMENT | For the Period September 1-30, 2010

Active Assets Account  
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Research Ratings Definitions (CONTINUED)

Poor's actual proprietary rating on any covered company. Standard & Poor's ratings are described below:

**MSSB NORMALIZED CODE / STANDARD &**

**POOR'S RATING: DEFINITION**

**1 / 5-STARS (Strong Buy):** Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis

**1 / 4-STARS (Buy):** Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis

**2 / 3-STARS (Hold):** Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis

**3 / 2-STARS (Sell):** Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain

**3 / 1-STARS (Strong Sell):** Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis

**Relevant benchmarks:** In North America the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

# MorganStanley SmithBarney

CLIENT STATEMENT | For the Period September 1-30, 2010

## Disclosure

Active Assets Account  
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### Account Valuation

These figures represent the approximate value of your account(s) on a settlement date basis and are computed by adding (1) the market value of all priced positions and (2) market values provided by pricing services and correspondent custodians for other positions, and by adding any credit or subtracting any debit to your closing cash, money market funds and/or deposit balance. Please note, this valuation may be adjusted for the net change in priced asset values for securities held or for the net change in money market balances during the settlement period. Your closing cash, money market fund and/or deposit balance represents the cash, money market funds and/or deposits and reflects the net month end balance. Global Currency Deposits are reflected in U.S. dollars as of the statement end date. The Annual Percentage Yield ("APY") for deposits represents the applicable rate in effect for your deposits at the statement ending date. This APY may be different than the APY that was in effect during the statement period. For current Bank Deposit or Money Market Fund yields, go to <http://www.morganstanleyindividual.com/AccountOptions/ActiveAssets/InvestmentFeatures>

### Additional IRA Information

IRA contributions are subject to IRS eligibility rules and regulations. The "Max. Individual Contributions Allowed (by SSN)" reflects the annual limit on contributions that you as an individual can make to IRAs (Traditional, Roth, SEP, and SARSEP) under the Internal Revenue Code. The limit applies on a per person basis, not per account. The Contributions information included in this statement reflects contribution information for a particular account, without reference to any other IRA.

You cannot make an individual contribution to a Traditional IRA for the year in which you attain age 70 1/2 or any later year. You should check with your tax advisor to verify how much you can contribute and whether or not the contribution will be tax

deductible.

The categorization of any amounts in this statement as Individual Deductible or Individual Non-Deductible is based upon information provided by you, and is included for your convenience. Please contact your Financial Advisor if this information is incorrect. The information included in this statement is not intended to constitute tax, legal or accounting advice.

### Availability of Free Credit Balances and Financial Statements

Under the customer protection rules of the SEC [17 CFR §240.15c3-2 & -3], Morgan Stanley Smith Barney may use free credit balances in your account which are payable to you on demand, in the ordinary course of its business. We provide summary Morgan Stanley Smith Barney and Morgan Stanley & Co. Incorporated financial statements to you semiannually; copies are also available on request, by mail.

### Certain Assets Not Held At Morgan Stanley Smith Barney

You may purchase certain assets through Morgan Stanley Smith Barney that may be held at a financial institution other than Morgan Stanley Smith Barney. Assets not held at Morgan Stanley Smith Barney may not be covered by SIPC protection. We may include information about these assets on this statement, solely as a service to you and are not responsible for information (including valuation) derived from you or another external source. Generally, any financial institution that holds securities is responsible for providing taxable year-end reporting (1099s) and separate periodic statements, which may vary from our information due to different tax reporting periods. In the case of networked mutual funds, Morgan Stanley Smith Barney performs all year-end tax reporting (1099s). Under certain circumstances, such as IRA accounts, Morgan Stanley Smith Barney performs all tax reporting.

### Errors and Inquiries

If you do not understand an entry on your statement or suspect an error was made, it is essential that you immediately contact the manager of the office servicing your account. Oral communications regarding any inaccuracy or discrepancy in this statement should be re-confirmed in writing to further protect your rights, including rights under the Securities Investor Protection Act (SIPA). Except as provided in your account documentation, we will consider your statement to be correct unless we receive a written inquiry from you about the suspected error within 10 calendar days from the day on which you received your statement. It is your responsibility to review your statement promptly and to seek immediate clarification about entries that you do not understand. Please see your account documentation for special rules regarding your rights and responsibilities with respect to erroneous electronic fund transfers, including a description of the transfers covered.

### Gain and Loss Information

The gain and loss information is provided for informational purposes only, is not a substitute 1099 form (or any other appropriate tax form), and should not be used for tax preparation. Unrealized gain and loss values are estimates and should be independently verified. We recommend that you contact your tax advisor to determine the appropriate use of this information. Past performance does not guarantee future returns.

Gain and loss information is calculated based upon uniform standards and does not account for each individual client's particular circumstances such as the existence of hedging transactions or constructive sales. Although we make every effort to adjust the cost basis for securities' capital changes, we do not adjust the cost basis for all events. Contact your Financial Advisor for guidance on particular questions.

For accounts with Choice Select pricing, the commissions paid on your eligible equity and option

purchases and sales are applied to the Total Cost on a monthly basis.

With respect to estimated gains and losses for listed equity options, we have taken into account option premiums paid or received and, in respect to multiple purchases and/or sales, calculated cost using an average unit price for all like positions. From time to time, unrealized gain/loss and YTD realized gain/loss figures may change due to adjustments to cost basis which may also affect previously closed tax lots.

We are not responsible for any gain and loss information provided by you or another financial institution; you are responsible for ensuring the accuracy of such information. Whether provided by you, another financial institution or Morgan Stanley Smith Barney, it is your responsibility to ensure the accuracy of all of the Estimated Gain and Loss information.

For clients wishing to make versus purchase sales that information needs to be conveyed at the time of the sale. Unless you tell us otherwise, we use first in first out (FIFO) accounting.

### Listed Options

Information with respect to commissions and other charges related to the execution of options transactions has been included in confirmations of such transactions previously furnished to you and such information will be made available to you promptly at your request.

### Margin Interest Charges

Morgan Stanley Smith Barney calculates interest charges on margin loans as follows:

- (1) Multiply the applicable margin interest rate by the daily close of business net settled debit balance.
- (2) Divide by 360 (days).

Margin interest accrues daily throughout the month and is added to your debit balance at month-end. The month-end interest charges is the sum of the daily accrued interest calculations for the month. Morgan Stanley Smith Barney adds the accrued

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# Disclosure (CONTINUED)

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interest to your debit balance and starts a new calculation each time the applicable interest rate changes and at the close of every statement month. For current margin loan interest rates, please go to <http://www.morganstanleyindividual.com/customersevice/disclosures/#5>

**Margin Privileges** (not available for certain accounts such as IRAs or retirement accounts) If you have margin privileges, you may borrow money from Morgan Stanley Smith Barney in exchange for pledging assets in your accounts as collateral for any outstanding margin loan. The amount you may borrow is based on the value of the eligible securities in your margin accounts. If a security has eligible shares the number of shares pledged as collateral will be indicated below the position.

## Money Market Pricing

An investment in a money market fund is neither insured nor guaranteed by the FDIC or any other government agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, there can be no assurance that will occur and it is possible to lose money should the fund value per share fall. Moreover, in some circumstances money market funds may be forced to cease operations when the value of a fund drops below \$1.00 per share. In that event, the fund's holdings would be liquidated and distributed to the fund's shareholders. This liquidation process could take up to one month or more. During that time, these funds would not be available to you to support purchases, withdrawals, and if applicable, check writing or ATM debits from your account.

## Notice Regarding Investment Advisor Research

Morgan Stanley Smith Barney's Investment Advisor Research department conducts research on various mutual funds and exchange-traded funds for clients holding those funds in certain investment advisory programs. If you have instead invested in any of these funds in another type of account, such as a

brokerage account, you will not receive the same research materials and status updates on the funds as we provide to investment advisory clients (including instructions on selling fund shares).

## Pricing of Securities

The prices of securities displayed on this statement are derived from various sources and in some cases may be higher or lower than the price that you would actually receive in the market. Although we attempt to use reliable sources of information, we can offer no assurance as to its accuracy.

For securities listed on an exchange or trading continually in an active marketplace the price reflects the market quotations at the close of your statement period. The prices of securities not actively traded may not be available. These are indicated by N/A (not available). For securities that trade less frequently, we rely on outside pricing services and / or computerized pricing models, which cannot always give us actual market values. Some annuity values provided by outside sponsors are estimates. The amounts on this statement for limited partnerships are typically obtained from a third party or from the general partners unless we have obtained other information such as an independent appraisal. Since many partnership valuations are provided only annually, they do not always represent current values.

Furthermore some securities, such as limited partnerships and non-traded REITs are illiquid and have no public markets, so the amounts shown on this statement may not equal the amounts you would receive if you sold your investment.

The value of mutual fund shares is determined by multiplying the net asset value (NAV) by the number of shares or units held, as reported to Morgan Stanley Smith Barney by the correspondent custodian. If we cannot obtain a price or estimate, N/A appears. Speak to your Financial Advisor to obtain current information concerning the prices on your statements.

## Security Measures

This statement features several embedded security elements to safeguard its authenticity. One is a unique security mark--a blue rectangle printed in heat-sensitive ink on the back side of every page. When exposed to warmth, the blue rectangle will disappear, and then reappear.

## SIPC Protection

Securities and cash held in your Morgan Stanley Smith Barney account(s) are protected by a combination of coverage provided by the Securities Investor Protection Corporation (SIPC), a non-profit organization created by an Act of Congress, and additional protection purchased from a private insurer by Morgan Stanley (the Excess Coverage). SIPC protects up to \$500,000 of each client's securities, of which up to \$100,000 may be uninvested cash. SIPC and Excess Coverage apply only to securities and cash in the exclusive possession and control of Morgan Stanley Smith Barney and do not protect against losses due to market fluctuations.

Detailed information is available upon request.

## Special Considerations Regarding Structured Products

Structured Products are complex products and may be subject to special risks, which may include, but are not limited to: loss of initial investment; issuer credit risk and price volatility resulting from any actual or anticipated changes to issuer's and/or guarantor's credit ratings or credit spreads; limited or no appreciation and limits on participation in any appreciation of underlying asset(s); risks associated with the underlying reference asset(s); no periodic payments; call prior to maturity; early redemption fees for market linked deposits; lower interest rates and/or yield compared to conventional debt with comparable maturity; unique tax implications; limited or no secondary market; and conflicts of interest due to affiliation, compensation or other factors which could adversely affect market value or payout to

investors. In addition, investors should consider the concentration risk of owning the related security and their total exposure to any underlying asset. Structured Products may not perform in a manner consistent with the statement product category where they appear and therefore may not satisfy portfolio asset allocation needs for that category. For more information about the risks specific to your Structured Products, you should contact your Financial Advisor.

## Taxes

Under Federal Income Tax law, Morgan Stanley Smith Barney is required to report the gross proceeds of sales transactions (including entering into short sales) to you on Form 1099-B by February 15 of the year following the calendar year of the transaction. The information reported on your Form 1099-B for the calendar year should be exclusively relied upon for the purpose of filing your tax return for the year. Under U.S. Internal Revenue Service regulations, if you have not provided us with certification of either U.S. or foreign status on an appropriate Form W-9 or W-8, your accounts may be subject to either 28% back up withholding or 30% nonresident alien withholding, as applicable, on payments made to your accounts.

## Total Income (This Year/This Period)

Total income as used in the income summaries, represents dividends and/or interest on securities we receive on your behalf and credit to your account(s) during the calendar year. We report dividend distributions and taxable bond interest credited to your account to the Internal Revenue Service. The totals we report may differ from those indicated as "This Year" figures on the last statement for the calendar year. In the case of Real Estate Investment Trusts (REITs), Master Limited Partnerships, Regulated Investment Companies and Unit Investment Trusts, some sponsors may reclassify the distribution to a different tax type for year-end reporting (1099).

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# MorganStanley SmithBarney

CLIENT STATEMENT | For the Period September 1-30, 2010

## Disclosure (CONTINUED)

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### Transaction Dates and Transaction Conditions

All transactions list transaction date and settlement date. Transactions are included on this statement based on settlement date. In the case of unsettled trades, we list the trade based on trade date instead of the settlement date with a notation that the trade is unsettled. Unsettled trades will not be reflected in position and cash balances.

Upon written request, Morgan Stanley Smith Barney will furnish the date and time of a transaction and the name of the other party to a transaction.

Morgan Stanley Smith Barney and/or its affiliates may accept benefits that constitute payment for order flow. Details regarding these benefits and the source and amount of any other remuneration received or to be received by us in connection with any transaction will be furnished upon written request.

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